

# AVI-NEWS

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A QUARTERLY NEWSLETTER

## Can Indian Aviation Sector becomes Financially Viable?



Dear Friends,

Despite being touted as the 'fastest growing aviation sector' in the world, airlines in India have struggled to survive in the highly competitive and unforgiving aviation industry. 17 airlines, both domestic and regional, have gone out of business due to financial difficulties. Further duopoly created by the consolidation of four carriers including Air India and Vistara by the Tatas has captured 75-80% of the market, leaving just about 20% for players like SpiceJet, and the newest entrant Akasa.

India's airfares are 15% below the break-even point, heavily taxed ATF contributes to the single biggest expenses of carriers, amounting to 40-50% of operational expenses. If ATF can be brought under GST regime under 18% tax bracket, no airline will go into a loss due to operational cost at least.

Nearly 80% of India's commercial fleet is leased, and airlines pay annual lease rents of about Rs.10,000 crore, making up almost 15% of their revenues. Dollar-Rupee Volatility adds high costs to operations as the leases are in US dollars, and the Indian rupee's depreciation

raises costs further. The government must establish leasing companies in India to help reduce costs.

High Service charge and Low-ticket Price for using airport facilities like runways and terminals and low-ticket prices for the competitive edge in business works against the economic viability coupled with Privatization of airports has raised concerns about further fee increases.

Government has taken few steps like reduction in GST to 5% from 18% for domestic services. Benefits under Emergency Credit Line Guarantee Scheme has been extended to the civil aviation sector. Route rationalisation in the Indian airspace in coordination with Indian Air Force for efficient airspace management, can further reduce fuel burn.

There are still opportunities in Indian Aviation Sector as Indian carriers are projected to increase their fleet size to 1,100 aircraft by 2027. Demand for MRO services facilities are increasing in India due to consistent double-digit growth in the aviation sector. Also, convergence between civil MROs and the defence sector should create economies of scale and long-term benefits.

India can reap multiple benefits by establishing itself as a transshipment hub in the region. This will augment India's trading capacity as a service provider, emerging as a foreign exchange earner and enabler for better connectivity in the region.

Happy travels!

Sanjiv Aggarwal

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# 'IN-PRINCIPLE' APPROVAL FOR SETTING UP OF 21 NEW GREENFIELD AIRPORTS

**Out of 21 Greenfield Airports, 12 have been operationalised**



The expansion of airports including the upgradation of infrastructures/ facilities at airports, is a continuous process, which is undertaken by the Airports Authority of India (AAI) or the concerned Airport Operators depending upon operational requirements, traffic, demand, commercial feasibility etc. AAI and other Airport Operators have embarked upon a Capex Plan for more than Rs. 98,000 crore including around Rs.25,000 crore by AAI during 2019-24 for development/ upgradation/ modernisation of various brownfield airports and developing Greenfield Airports to meet the growing demands.

AAI has undertaken development/ expansion of Port Blair in Andaman & Nicobar Islands, Vijayawada

and Tirupati in Andhra Pradesh, Itanagar and Tezu in Arunachal Pradesh, Dibrugarh in Assam, Darbhanga and Patna in Bihar, Safdarjung in Delhi, Goa in Goa, Dholera, Rajkot, Surat and Vadodara in Gujarat, Leh in Ladakh, Kalaburagi in Karnataka, Calicut in Kerala, Bhopal, Gwalior, Indore, Jabalpur and Rewa in Madhya Pradesh, Juhu, Kolhapur and Pune in Maharashtra, Imphal in Manipur, Bhubaneswar in Odisha, Jodhpur in Rajasthan, Chennai, Coimbatore, Madurai, Trichy and Tuticorin in Tamil Nadu, Agartala in Tripura, Ayodhya, Gorakhpur, Kanpur, Muirpur and Saharanpur in Uttar Pradesh, Dehradun in Uttarakhand and Kolkata in West Bengal. The upgradation endeavors encompass several enhancements, ranging from the construction of





terminal buildings and ATC tower cum technical blocks to the expansion of civil enclave, extension, strengthening, and re-carpeting of runways, as well as the creation of aprons, parking bays, and other associated infrastructure improvements.

The Government of India has also formulated a Greenfield Airports (GFA) Policy, 2008 for development of Greenfield airports in the country. As per the policy, if any developer including the State Government desires to develop an airport, they are required to identify a suitable site and get the Pre-feasibility Study conducted for construction of airport and submit a proposal to the Central Government for 'Site Clearance' followed by 'In-Principle' approval. So far, Government of India has accorded 'In-Principle' approval for setting up of 21 new Greenfield Airports. Out of these, 12 Greenfield airports have been operationalised.

Besides, in order to enhance the regional air connectivity from unserved and underserved airports in the country,

Ministry of Civil Aviation launched Regional Connectivity Scheme (RCS) - UDAN (UdeDeshkaAamNagarik) on 21.10.2016 making air travel affordable to the masses.

The upgradation of airports to meet International Standards/Norms specified by International Organizations such as International Civil Aviation Organisation (ICAO), International Air Transport Association (IATA) etc. is undertaken by AAI or the concerned Airport Operators taking into account various considerations, including the commercial aspect, traveler requirements, land situation and airline preferences. Declaration of an airport as International Airport depends upon traffic potential, demand from airlines for operation of international flights and bilateral

Air Services Agreement. It also includes provision of Ground Lighting facilities, Instrument Landing System, runway length, Immigration, Health and Animal & Plant Quarantine services etc. At present, there are 30 international airports in the country.

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# 36 FTOs operating at 57 bases in the country

## DGCA ISSUED A RECORD 1165 COMMERCIAL PILOT LICENSES IN 2022

Currently, there are 36 Flying Training Organizations (FTOs) in the country operating at 57 bases, which are imparting flying training to cadets. In the year 2022, Directorate General of Civil Aviation (DGCA) issued a record 1165 Commercial Pilot Licenses (CPLs) to cater to the requirement of the industry.

Steps taken by the Government to increase pilot training schools are as follows: -

(i) In 2020, Ministry of Civil Aviation approved liberalized FTO guidelines wherein the concept of airport royalty (revenue share payment by FTOs to AAI) has been abolished and land rentals have been significantly rationalized.

(ii) In 2021, after a competitive bidding process, AAI awarded nine FTO slots at five airports at Belagavi

(Karnataka), Jalgaon (Maharashtra), Kalaburagi (Karnataka), Khajuraho (Madhya Pradesh) and Lilabari (Assam). Currently, six of these FTO slots are operational: one each at Jalgaon, Lilabari, Khajuraho, Belagavi and two at Kalaburagi.

(iii) In June 2022, after a competitive bidding process, six more FTO slots were awarded by AAI at five airports namely: Bhavnagar (Gujarat), Hubballi (Karnataka), Kadapa (Andhra Pradesh), Kishangarh (Rajasthan) and Salem (Tamil Nadu). Currently, one FTO slot at Salem (Tamil Nadu) is operational.

(iv) DGCA modified its regulations to empower Flying Instructors with the right to authorise flight operations at FTOs. This will help increase the flying hours and aircraft utilisation at each FTO and lead to faster completion of the CPL requirements.





# International Aerospace Conference jointly organized by MoCA and CII



Shri Jyotiraditya M Scindia, Union Minister for Civil Aviation & Steel inaugurated the 'International Aerospace Conference: Moving Towards Inclusive Global Value Chains'.

The International Aerospace Conference is a G20 initiative in the aerospace sector under G20 and B20 priority, focusing on developing inclusive global value chains for Global trade and Investment and aims to promote and strengthen trade and investment among the G20 countries.

In his inaugural address, Shri Jyotiraditya M Scindia said that now it is time for global aerospace industry players to supplant themselves to India and there are multiple reasons for it:

- A) Development of Infrastructure: Indian civil aviation sector had only 74 airports nine years ago; now it has moved to 148 airports including heliports and water aerodromes. And the government is committed to take this number upwards of two hundred in coming three to five years;
- B) Availability of aircrafts: Earlier there were 400 planes in 2014 now this number has reached almost 700 and nearly 1000 more on order;
- C) Ecosystem Development: The disinvestment of Air India has brought about a transformation in civil aviation industry in the country, not only for passengers, not only airports, but also for

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MROs, for manufacturing sector, and for cargo. The huge orders of aircraft placed by Air India and Indigo and the emergence of new players like Akasa is another example of the changes that are taking place in Indian civil aviation industry;

- D) Thrust on Regional Connectivity: UDAN has given birth to 4 new regional airlines in the country. The hub and connectivity network we have been talking about for decades is a reality in India today.

Talking about the aviation infrastructure in the city of Gwalior, Shri Scindia assured that the development of the new integrated domestic terminal of the Gwalior Airport will be completed within shortest record-breaking time of fifteen months. He also assured greater and consistent support from the government for the holistic growth of aerospace manufacturing in India.

During interaction with the dignitaries, the Minister emphasized that under the leadership of Prime Minister Shri Narendra Modi, we believe in being monumental in our approach rather than being incremental and this stands true for the civil aviation sector as well, where liberalized drone policy & Production Linked Incentive Scheme for drone

and its components, implementation of DigiYatra, New MRO Guidelines, and helicopters for last mile connectivity - have made the sector more accessible for its customers.

In the conference, panels of luminaries discussed a range of issues pertaining to global value chains and how to make them all-inclusive. The conference involved five sessions covering the following issues:

- Spawning Global Value Chains in Design & Robust Aerospace Manufacturing: Importance of MSMEs
- Integrated Global MRO Services
- Women in Aviation: Fireside chat
- Advanced Technologies in Aerospace & Air Mobility: Changing Skill Sets
- Building Scale in Aerospace Manufacturing

In the last couple of decades, there has been a mammoth increase in Global Value Chains which has transformed the global economy. Over these years, GVCs have worked as an engine of growth and driven economic growth, technological innovation, and job creation. This event will further contribute to preparing India towards matching the challenges that the global supply chain offers.





# Passengers carried by Domestic airlines registered an annual growth of 38.27% and monthly growth of 23.13%



- ❑ Passengers carried by domestic airlines during January- August 2023 were 1190.62 lakhs
- ❑ The overall cancellation rate of scheduled domestic airlines has been at a low of 0.65

The domestic aviation industry has experienced a remarkable surge in passenger traffic during the first eight months of 2023. According to the latest data analysis, the number of passengers carried by domestic airlines from January to August 2023 reached an impressive 1190.62 lakhs, marking a substantial increase of 38.27% compared to the same period last year.

The month of August 2023 alone witnessed a significant monthly growth rate of 23.13%, with passenger numbers soaring to 148.27 lakhs. This upward trend in passenger growth reflects the industry's resilience and recovery from the challenges posed by the global pandemic.

Despite the impressive growth in passenger traffic, it is worth noting that the overall cancellation rate for scheduled domestic airlines in August 2023 was a mere 0.65%. During August 2023, a total of 288 passenger-related complaints had been received by scheduled domestic airlines, with a complaint rate of around 0.23 complaints per 10,000 passengers carried. This low complaint and cancellation rate is a testament to the industry's efforts to prioritize customer satisfaction and providing reliable and efficient services to passengers.

The aviation industry remains committed to ensuring passenger safety and comfort while adapting to evolving travel demands and regulations. As air travel continues to recover, domestic airlines are poised to play a pivotal role in facilitating economic growth and connectivity across India.



Virgin Galactic has sold around 800 tickets for future commercial flights ,600 between 2005 and 2014 for USD 200,000 to USD 250,000, and 200 since then for USD 4,50,000 Each. Movie stars and celebrities were among the first to snap up seats, but the company's program suffered a disaster in 2014 when a spaceplane on a test flight broke apart midair, killing the copilot and seriously injuring the pilot.

Virgin Galactic, which went public about four years ago by merging with a special-purpose acquisition company, hasn't generated significant revenue and isn't profitable. In 2022, it reported a loss of \$500 million and \$2.3 million in sales. The company isn't the only one offering private space trips. Branson's venture is competing in the "suborbital" space tourism sector with American billionaire Jeff Bezos's company Blue Origin, which has already sent 32 people into space.

According to Virgin Galactic, the company's next scheduled commercial space flight, Galactic 02, is planned in August, and monthly flights to space are expected to be rolled out after that launch.





# Government and industry collaboration leads to first 'air taxi' delivery



A new air taxi from the manufacturer Joby Aviation will allow NASA to evaluate how this kind of vehicle could be integrated into their skies for everyday use, while the Air Force researches its potential military use. On Sept. 25, Joby announced the delivery of one of their air taxis – an electric vertical takeoff and landing (eVTOL) aircraft – through a funded contract with their customer, the U.S. Air Force AFWERX Agility Prime program. NASA has an interagency agreement with AFWERX to use the aircraft for testing concentrated on how such vehicles could fit into the national airspace.

Joby's aircraft, which has already begun flying at Edwards AFB, is the first electric air taxi to be stationed on a U.S. military base and is believed to be the first delivery of an electric air taxi in the U.S., as part of Joby's \$131 million AFWERX Agility Prime contract with the U.S. Air Force. Joby's current and previously completed work with the Department of Defense represents a total potential contract value of \$163 million, the largest in the industry.

The aircraft, which was the first built on Joby's Pilot Production Line in Marina, California, will be stationed at Edwards Air Force Base for at least the next year, with charging and ground support equipment provided on-base by Joby in a facility purpose-built by the Air Force for joint flight test operations. The U.S. Air Force and Joby will conduct joint flight testing and operations to demonstrate the aircraft's capabilities in realistic mission settings.

"NASA's participation in the Joby and AFWERX project will provide researchers with hands-on experience with a representative eVTOL vehicle, concentrated on how these types of aircraft could fit into the national airspace for everyday use, that will inform NASA's effort in supporting the entire eVTOL industry," said NASA research pilot Wayne Ringelberg. "The research will include a focus on handling qualities evaluation tools, autonomy, and airspace integration, which is all needed to push the industry forward."



# Boeing: China will need 8,560 new aircraft in the next 20 years



Boeing is forecasting that China will need 8,560 new commercial airplanes through 2042, driven by economic growth well above the global average and increasing public demand for air travel.

China's commercial airliner fleet will more than double to nearly 9,600 jets over the next 20 years, according to Boeing's Commercial Market Outlook, the company's long-term forecast of demand for commercial airplanes and related services.

With its ongoing recovery of air travel, China will account for one-fifth of the world's airplane deliveries in the next two decades. China's domestic aviation market also will be the largest in the world by the end of the forecast period, helping power demand for 6,470 single-aisle airplanes

Over the next 20 years, the global civil aviation market will have demand for a total of 42,595 new commercial airplanes, according to Boeing's

Commercial Market Outlook. China's growing civil aviation market will drive that demand, with 8,560 new commercial airplanes needed, it says.

More than 400 airplanes are expected to enter the Chinese civil aviation market on average each year to meet the demand brought by increasing air traffic capacity and retired aircraft replacements. Additionally, the e-commerce and express delivery industries will continuously boost demand for cargo aircraft.

Boeing's China business was badly hurt by the grounding of its top-selling 737 Max long after the jet was allowed to resume flying in most other places. As per News the company was preparing to start China deliveries again for the first time in four years.

Boeing also forecasts that China will need 134,000 pilots, 138,000 technicians and 161,000 cabin crew to serve the growing market.

