

GOVERNMENT TO SET UP NATIONAL AVIATION UNIVERSITY

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India might have a National Aviation University for bridging the gap of demand and supply of skilled labour in the aviation industry. The Ministry of Civil Aviation has set up an expert committee to make the project report for the proposed university. The proposed university will undertake to train the youth; will make the Director General of Civil Aviation independent both administratively and financially. The university would also formulate an independent accident investigation bureau along with the inception of ombudsman to cater passenger concerns.

PSA's view: It is a welcome step proposed by the Government considering that India expects an increase in the passenger traffic of 30 crore by end of 2020. It is a positive step which will have a positive impact on the aviation sector which has an important role in the growth of the economy.

India and US to sign Aviation Safety Pact

In a move that could open huge market abroad for indigenously developed aeronautical products, India and US would execute a Bilateral Aviation Safety Agreement that will allow for the reciprocal certification of aviation products. The two countries would also sign the Implementation Procedures for Airworthiness ("IPA") which will provide for the airworthiness technical cooperation between the US Federal Aviation Administration and Indian counterpart Directorate General of Civil Aviation. The IPA would address specific areas such as design approvals, production activities, export airworthiness approval, post design approval and technical cooperation.

PSA's view: India US Aviation Safety Pact will have enormous impact on the overall growth of the aviation sector and would also boost the economy. It would encourage indigenous aircraft and aeronautical products industry and the US acceptance of the Indian products and would help their global acceptance. It would also lessen the economic burden of the aviation sector.

Passengers to be charged with development fee

The Airports Economic Regulatory Authority ("AERA") which regulates the rates of all major airports is all set to charge development fee from the passengers flying out of Delhi airport. The AERA has decided to levy a fee of INR 200 each for domestic travel and INR 1,300 for international travel. The AERA has fixed these



PSA's view: The collection of development fee by DIAL was barred by the Supreme Court in April this year stating that such fee was illegal, as it was not approved the AERA. Now, that AERA has fixed the development fee, it will have negative impact on the aviation sector which is already going through rough phase.

Foreign airlines may get to invest in the Indian carriers

The Cabinet is all set to examine a proposal to allow foreign airlines to pick up equity in Indian carriers. As of now, airlines are allowed to invest 49% foreign direct investment, but any investment by foreign airlines is banned. The Ministry of Civil Aviation has proposed a 24% cap on investment by foreign airlines, whereas the Department of Industrial Policy and Promotion is pushing for 26%.

PSA's views: All the domestic airlines have been incurring losses due to high jet fuel prices, depreciating rupee and fierce competition. The proposal if cleared by the Cabinet will allow the domestic airlines some respite as they can raise capital to pay off their debts. We suggest that anything above 25% will encourage the foreign airlines to invest as it will give them right to block "special resolutions". Anything less than 26% would serve no purpose and no foreign firm would be interested in investing in the Indian carriers.

Kingfisher Airlines to sell property to come out of debt crisis

The board of Kingfisher Airlines will consider a proposal to minimize the debt by selling property, converting loans from its parent company into equity and changing the terms of the agreement under which it leases aircrafts. The Kingfisher Airlines which has cancelled 200 flights in past couple of weeks, is of the view that it will result in minimize the debt from INR 6,500 crore to INR 3,000 crore.

PSA's views: The debt-reduction plan proposed by the Kingfisher management is a much needed step which will give some respite to the rippled airline. However, it is pertinent to note that such measures will take atleast 1-2 months for all these initiatives to come together and enabling it to be operational.

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