



# INDIAN CARRIERS MAY FACE DOWNGRADE THREAT

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The FAA, the authority regulating aviation in the US has issued safety alerts for operators functioning in the US. While this does not directly impact operations in India, it does in fact reduce the ratings for Indian training and safety standards and so operators functioning out of India have a reason to worry as they could get barred from flying to the US. The FAA's Safety Alert for Operators was issued for airlines and aviation regulators of many countries including India and provides specifically for degradation in pilot's skills. The FAA in this alert has also made an observation that mostly all incidents and malfunctions occur due to manual handling which is not up to the mark due to the systems being highly automated and the fact that over-reliance on automated systems eventually leads to deterioration in a pilot's ability to recover the aircraft from an undesired position or situation.

**PSA View** – This step calls for the formulation of a stable, transparent and investor-friendly regulatory regime for resolution of issues. Suggested reforms include- Greenfield Airport Policy to encourage investment in Greenfield Airports, Approval policy for Greenfield Airports to promote private developers. The policy should also address 'Land acquisition for development of infrastructure'. Also, enhance coordination between the Civil Aviation department and the defense authorities to meet the safety requirement. If such issues are not addressed the plan is likely to result in yet another setback for the Aviation Industry.

## Finance Ministry may notify ATF as “declared goods”

Declared goods are goods which are of special importance under section 14 of the Central Sales Tax Act, 1956 and restrictions are put on levy of sales tax on them. The finance ministry is considering to put ATF under the category of “declared goods”. ATF comprises about 40% of an airline's costs and due to huge state levy, it is about 50% higher than anywhere in the world and is among the prime reasons for losses incurred by airlines. This has been a constant demand by the airlines since many years. If the demand is considered and ATF notified as “declared goods” only 4% of duty will be levied.

**PSA View** – The cash strapped airlines have been making this demand to the Government of India for a long time now. At present, the tax levied on ATF is as high as 30%. Both Ministry of civil aviation and petroleum have proposed this consideration to finance minister. We have to wait and watch when the finance ministry gives its green signal.

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