

The Indian Subcontinent's Aviation Hub

Ensuring Growth

The Indian Subcontinent covers a landmass of south Asian countries and it's estimated that the sub-continental area is home to over 1.7 billion people. India, Pakistan, Bangladesh, Bhutan, Nepal, Sri Lanka and the Maldives range hugely in population size. Economies also range from being dependent on industry, agriculture and tourism. Two of these nations are included in The Next Eleven (N-11), a list of 11 emerging markets dubbed to become the world's largest economies during this century. Pakistan and Bangladesh were given hugely promising outlooks for economic growth in the research paper compiled by Goldman Sachs investment bank^{*1}.

By far the largest, most heavily populated country in the region is India with 1.2 billion people. It's also the most developed economy, making it the major aviation hub of the subcontinent. It is where the majority of ground operations unfold and are potentially focused; a fast growing and challenging business aviation market. Regional regulations and infrastructural differences for general aviation means that new and innovative ways must be found to ensure the optimal service level and the highest quality and efficiency for clients. However, India is a rapidly developing country with a young population, a growing and vibrant economy and an advantageous strategic position that all bode extremely well for its future business aviation development.



^{*1} Bloomberg Business, August 7, 2012

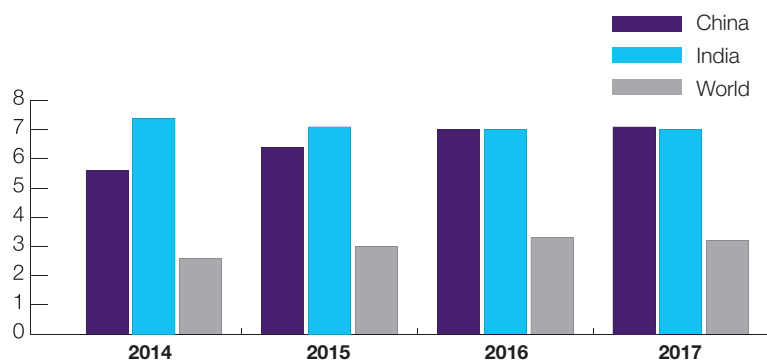
Vibrant Economy

It's an exciting time for India, according to the World Bank the country is currently experiencing GDP growth at 6.4 percent, making it the fastest growing large economy in the world*².

Last summer, India was in danger of economic crisis, however the economy eventually bottomed out and in recent months it has begun to grow again as government reforms begin to take effect. Earlier this year, Paris-based think tank the OECD predicted that India's economic growth was definitely consolidating and gaining momentum. The country is now bracing itself for an economic skyrocket and the present government have been busy making reforms to the country's legislation and procedures in the hope of garnering the optimal benefit from this growth. These social and economic conditions indicate that there is massive potential for general aviation to make a significant contribution to the economy. Amid these predictions and expectations, India's Finance Minister Arun Jaitley presented the first full-year budget of the Modi Government in February. Serving as much as a road map for the decade ahead as a yearly budget, it focused on investment and industry creation.

"This is an exciting time for the Indian economy, the growing vitality of the entire subcontinent is clear. We are on the ground to meet the demand. UAS bring the same standard of service to all our global operations, our resources onsite at New Delhi are exemplary. Our local staff possess a wealth of knowledge and years of experience in handling operations in the region and are ready to utilize these for our clients' benefit."

Mohammed Husary,
UAS Co-Founder | Executive President



GDP Growth Forecasts India vs China

Population:

The World Bank, GDP Growth Forecasts / IMF. World Economic Outlook Oct. 2014, and update 20 January 2015

India has a vast and incredibly young population, with over 54% of its 1.2 billion under the age of 25. Referred to as 'demographic dividend' this indicates a period of transition from an agricultural to an industrial society, when a plentiful young workforce dominate the population. This is the ideal situation for rapid economic growth as the workforce is young and demand is high.

Also, recent studies have found that India is ranked amongst the top three nations for generating the most amount of billionaires in the world. India trails China in second place, while the U.S.A. remain at the top of the list, having the most individuals of high net worth (HNWI)*⁴. According to Quartz India, the population of UHNWI in India—or people with a net-worth of \$30 million (Rs188 crore) or over—has increased by 166% over the past ten years. And in the next decade, it's predicted that the number of India's super-rich will jump another 104%*⁵.

*² The World Bank, GDP Growth Forecasts / IMF. World Economic Outlook Oct. 2014, and update 20 January 2015

*³ Trading Economics

*⁴ The Economic Times, February 4, 2015

*⁵ Quartz India, March 11, 2015

Business Aviation's Benefits

India is an extremely popular business destination as well as being an iconic tourism hub. Currently, the country's civil aviation industry is amongst the top ten globally^{*6} and a size of approximately \$16 billion USD. According to the Business Aircraft Operators Association's projections, the number of business jets operating in India will almost double by 2020. Indeed, India is expected to achieve the fastest growth of any aviation market in the world over the next 20 years^{*7}. In the longer term, it's expected that the Indian Subcontinent and Asia-Pacific region will emerge as the largest aviation market by 2032^{*8} and Bombardier predicts that India's business jet fleet will grow ten times by 2033.

Business of Aviation

Business aviation generally means use of an aircraft for a business purpose. It refers to the use of smaller aircraft with seating capacity of 10 to 15 passengers

Business Aircraft in India



Presently, business jet demand in India is low when compared to the size of the national economy. It's vital to develop decision makers' understanding of the opportunities in business aviation needs and the benefits of identifying it as a market sector they should embrace. Firstly, general aviation is a sector that will create jobs – both directly and indirectly – and support inward investment in future. A combined study by FICCI and KPMG 'Indian Aviation 2014' stated that civil aviation development and socio-economic development are highly inter-related. In past times, it has often been a challenge to convince the government of India about the benefits of business aviation because in the mindset of some elected officials and regulators general aviation aircraft are unnecessary luxuries that benefit only the upper classes. It's important to regard business aviation not as an indulgence, but as a timesaving, productivity-increasing business tool. Its rise in popularity all over the globe in recent years is not as much to do with people being more able to afford this type of travel, but rather to do with the superior efficiency of it. Chartering aircraft is a hugely helpful tool for the heavily-scheduled teams or executives to whom time is of the essence. It allows users the freedom of being able to dictate their own schedule, make the best use of their time and respond quickly to changing circumstances. Air charter is a hugely beneficial form of transportation that can bring economic growth and enhanced quality of life to India.

"Truly understanding a client's needs and communicating clearly is the backbone of successful business aviation and something we excel at. Whether you need to get to Mumbai or Islamabad on urgent business, the Maldives or Sri Lanka for a well-earned break or transit through Bangladesh, we are here to provide the best service possible, as quickly as possible. We understand the specific needs of clients from within the region so they can rest assured that we will not only meet, but exceed, their expectations."

Vinay Garg,
UAS Regional Director, Indian Subcontinent

^{*6} KPMG, March 13, 2014

^{*7} CAPA, 2013

^{*8} International Air Transport Association (IATA)

Infrastructural Improvement

Recent years have seen repeated calls from inside and outside the industry for a long-term strategy for the development of a general aviation infrastructure in India. Traditionally, India has imposed a multitude of complex rules and regulations on operators that made a flight into India on a business aircraft an arduous process to organize. On the ground there was a severe lack of full-service FBOs, as well as a shortage maintenance and support staff. Updating some aged processes and methodologies would take relatively little investment compared to the benefits that it will garner. Though the lack of adequate infrastructure is currently an issue, it's expected this will be resolved in the medium term. The government is hard at work to make India more 'business-friendly'. The construction of new airports would free up older airports so they can become available for business aviation, and the facilities that are currently available at some airports could easily be suitably upgraded to reach the standards of a modern FBO. Investment must be made in business aviation infrastructure, although some infrastructure already exists at some locations, it's crucial that it is updated so this supportive area of the economy can be developed to the maximum.

The following are the infrastructural improvements necessary for India:

- More FBOs so business jet passengers aren't processed through the same terminal facilities as all other passengers and overcrowding the terminal
- More facilities for private jets with hangars and parking
- More MRO hubs to cater to sector's needs

Reform and Budget 2015

In January this year, the World Bank's Global Economic Prospects predicted that India would overtake China as the world's fastest growing economy within the next two years. The government is prioritizing inclusive growth at all levels of society, as well as expanding the job market. The rupee is performing well and the stock market is surging. Multinational companies are expanding their Indian operations or looking to set up bases in the country. In February's budget, Modi's objectives were all connected to significant economic growth and investment. He plans to stimulate economic growth and job creation by making India more attractive to foreign investors. The heavily bureaucratic methods of business administration traditionally used will have to make way for modern, simplified practices. Otherwise, international capital won't flow in as quickly as is hoped. The government committed to reducing the corporate tax rate from 30% to 25% over the course of the next four years to stimulate a higher level of investment, growth and jobs^{*9}. In a move to compensate for the inadequate amount of investment in national infrastructure in recent years, the government announced that 14% of the total budget spend this coming year will be on infrastructure, up from 11% last year^{*10}.

The Business Aircraft Operators Association expressed their dissatisfaction with the budget, claiming that it falls short of making any significant difference to the operation of general aviation in the country. President of the BAOA, Rohit Kapoor said that India will struggle to become the third largest aviation market by 2020 unless problems regarding the sector are addressed at once^{*11}. The organization had hoped for reform in the tax regime on importing aircraft, as well as lower duty on operator permits to encourage more connectivity. They said that operations are severely affected by tough taxation and that aviation infrastructure is in dire need of modernization. The high price of jet fuel is another issue they listed as impeding the growth of business aviation in India.

^{*9} Moneycontrol.com, February 28, 2015

^{*10} Economic Survey 2015, Indian Finance Minister Arun Jaitley

^{*11} Economic Times, March 1, 2015

Regulatory Restrictions and Recommendations

The challenges that have traditionally existed for the development of business aviation in India are the same challenges that existed for the economy as a whole - historically slow decision making processes and inadequate infrastructure throughout the entire nation. In a century of so much competition, overtaxing aviation will render India unable to stand up at a global level. Business aviation has been impeded by high taxes. For example, there have been steep import duties on aircraft and high duties and taxes on MRO activity. Many Indian states have begun to take measures to promote air connectivity as a viable means of transportation. Initiatives such as the reduction in sales tax on ATF, the development of no-frills airports, the promotion of aviation academies, and supportive policies for aviation and tourism are hoping to have a positive effect. Regulations are strict and processes are often slow, designed with scheduled carriers in mind, but then applied to business and private aircraft.

Restrictions on obtaining landing permits and lack of access to airports have been concerns for aircraft manufacturers. However, these have eased in recent times as the benefits of business aviation are being seen. It is now possible to get a visa upon arrival for certain nationalities, making the country an attractive and viable option for a business meeting or a last minute pleasure trip. Lead times have also been significantly reduced and the recent boom in the economy has led to a lot of luxurious hotels springing up around the country.

Business aviation industry investors are happy to pump resources into India, knowing that it is on its way to becoming one of the world's most active economies. However, there is still a long way to go. What's needed is policy-making and streamlining regulation to allow the industry to accelerate its growth. Growth trends indicate that India will be among the top three aviation markets by 2020. However, the World Bank recently ranked India as the 142nd-hardest place to do business out of 189 countries. The positive news is that all of these challenges are primarily related to policies, procedures, regulations and taxes. These are man-made problems and can be surmounted with bureaucratic changes either from local or central government. However, until change is achieved these situations continue to be a major impediment to the growth of this sector. The closing month of 2014 saw some reprieve on these issues as the Directorate General of Civil Aviation released new guidelines for the industry. The most interesting being a turnaround from a proposal of October 2014 when it was suggested that operators with less than three aircraft be prohibited from offering charter flights. This is significant, not only because it gives smaller operators a chance to compete in the industry, but also because it shows that the government is realizing the importance of business aviation and that it has a large contribution to make to the economy at large.

"A significant advantage to contributing to the initial stages of a developing industry for operators is that they have the freedom to follow and adapt models that have succeeded elsewhere. Bringing our global expertise to the ground in New Delhi will ensure the highest international standards."

Omar Hosari,
UAS Co-founder and CEO

Challenges to smooth business aviation operations include:

- Slow, heavily bureaucratic process to import aircraft
- Long process to get required clearances (up to one year)
- Clearance for landing/overfly permits must be filled up in hard copies and submitted to Directorate General of Civil Aviation

The following factors act as the major roadblocks to the expansion of corporate aviation across India:

- Lack of Infrastructure
- Prohibitive taxes and tariffs
- Lack of easy access to airspace and landing permits

What UAS brings to the Subcontinent

UAS International Trip Support has 15 years of experience of providing trip support, executive travel and air charter services to business, VIP and commercial operators worldwide. This global experience is being leveraged for the benefit of clients on the Subcontinent from a new regional office in New Delhi. This investment illustrates a commitment to the regional and a confidence in the growing economy. The aviation growth being predicted for future years will be met by UAS who, through this proximity, will have more opportunity to strengthen relationships on the ground and to ensure clients receive the highest level of efficiency and quality. Local clients will also benefit from close contact with a representative who is close to them, understands their concerns and is easily and quickly communicated with. An emphasis on safety and security is central to UAS' ethos- the company adheres to the highest international standard with regard to the certification of staff. It also employs a strict compliance policy and multiple layers of audits in line with the FCPA and the UK bribery Act to ensure the highest levels of professionalism and best practice.

UAS' regional office in New Delhi is the latest link on a chain of connectivity through a global network. This is part of UAS' expansion strategy initiated in 2012, a sustained growth strategy aiming to put UAS in the most critical hubs on the planet. With continental headquarters currently in Houston, Johannesburg, Hong Kong and Dubai, regional offices in Lagos, Nairobi and Beijing, and ground presence in 37 countries, UAS provides a one-stop-shop for clients' aviation needs. The regional office in Indira Ghandi International Airport, New Delhi, will support global network in terms of procurement. Future plans include the increase of airport supervisors to improve coverage and the launch of customized products for the market. The ultimate goal is to sustain good business on the Indian Subcontinent.



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