



REPORT ON THE
11th INTERNATIONAL CONFERENCE ON
'ENERGISING INDIAN AEROSPACE INDUSTRY: THE CHANGING ENVIRONMENT'
CONDUCTED BY
CENTRE FOR AIR POWER STUDIES & CONFEDERATION OF INDIAN INDUSTRY

01-02 SEPTEMBER 2016

1. An international conference on 'Energising Indian Aerospace Industry: The Changing Environment' was conducted by Centre for Air Power Studies (CAPS) and Confederation of Indian Industry (CII) in association with Indian Air Force, on 01 and 02 September 2016 at New Delhi. The intent of the conference was to link the 'Make in India' drive of the Government of India with policy and plans post-DPP 2016 and identify how the Indian aerospace industry can leverage the new avenues generated to become important players in the nation's drive. The Conference saw an impressive attendance from the Services, members from the strategic community, think tanks and Indian and foreign industry. The discussions were free and frank and there was a general consensus that there has been positive movement in energising the indigenous defence industry due to the renewed thrust given by the Government. The importance of joint exertion by the Government, the users and Indian industry was seen as a catalyst to greater involvement of foreign OEMs in the nation's indigenisation push. There was also an across the board acceptance that there still remain areas which need the Government's attention to make the Indian private industry major partners in setting up an indigenous defence manufacturing base.

2. The two-day deliberations generated a host of ideas and suggestions; these are summarised below.

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3. Recommendations

(a) The Government and private industry are working together to achieve the Government's aim of developing an indigenous aerospace manufacturing base. While there is no lack of commitment the very slow progress in results on ground is indicative of a gap between policies in vogue and their implementation. Conferences such as these come in handy in conveying to the policy makers 'what is lacking in the policy frame work.' As such, participation by government officials in such venues is the need of the hour; this would enable them to obtain first-hand information of issues 'troubling' the industry. *This was the unanimous view of the participants.*

(b) The large procurement requirements of Indian military and civil aviation have the potential to generate indigenous manufacturing in a big way. While it is true that private industry has 'profits' as the driving force, there is a necessity that private players shed their risk-averse attitude and make use of the new provisions of the DPP.

(c) The Technology Perspective and Capability Roadmap (TPCR) needs to be made industry-friendly so that it can plan and make judicious investment decisions for R&D, sectors for collaboration and prioritising resources; this would be possible only if the TPCR has greater visibility in terms of numbers, time frame and planned mode (categorisation) of every project.

(d) There is a strong feeling amongst the private players that they should be involved right from the 'categorisation' stage of a project; while this may not be possible in all cases, the Government may look into the feasibility of this suggestion at least as a pilot project.

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(e) Defence Public Sector Undertakings (DPSUs) and major private companies with good financial strength and burgeoning market presence need to be system integrators and create a web of MSMEs to support them. Though the Government has mandated a minimum outsourcing figure to MSMEs by DPSUs for every project, this rule is being followed more in the breach; a recommendation was made that this needs to be closely scrutinized and audited for proper implementation.

(f) In the process of energisation of the aerospace industry lies the inherent conflict between modernisation and indigenisation, in that, while modernisation demands rapid change, indigenisation is a time bound process that requires skill development, R&D, infrastructure *etc.*, all of which take time. Thus, for resolving the paradox of 'Modernisation v/s Indigenisation', a hybrid approach that harnesses existing capabilities with market incentives (for the OEM) is the way forward.

(g) The foreign OEMs have a major role in energising aerospace industry in India and they look forward to an enabling environment. One OEM recommended partnerships that enable technology transfer through joint designing, joint processes, quality assurance *etc.*, which would enable transferring the tech processes rather than just 'source code' type of information. This would make their Company an Indian entity in substance, increase jobs for locals and catalyse exports (as India could further export these products to other countries), making India a part of the global supply chain in the process. Government should formulate and issue requisite policies to enable the above.

(h) Non-visibility of small scale manufacturers was cited as one of the main reasons hindering the increased role of the entrepreneurs in defence manufacturing; there is also a buyers' perception that Indian MSMEs do not have the required capabilities. The MSMEs wanted greater hand holding by further

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simplification of rules and advance of financial support on easy terms. This is worth examining.

(i) Many MSMEs lack information, despite the presence of a dedicated Ministry, about facilities available to help them enter the defence market. While steps like the IAF pursuing indigenization by putting requirements on its website for information of local vendors was a welcome move, more needs to be done to overcome this lacuna. This point was raised last year as well and should be addressed on some priority.

(j) The Government may consider removal of 20% cap on services as offsets to leverage its strength and ensure development of right skills in the Indian industry.

(k) Testing and certification is an essential part of aerospace modernization. Competencies for this exist within the country at Center for Military Airworthiness & Certification (CEMILAC). There is a need to publicise such facilities as also the rules and regulations concerning testing and certification at Government labs of privately developed products so that MSMEs can get their equipment tested and certified.

(l) Maintenance Repair and Overhaul (MRO) activity is conspicuous by its absence, except for Air India and Jet Airways who have their own entities. A substantial chunk of the civil airline fleet is going to Sri Lanka, Singapore and Malaysia, as airlines find it cheaper and the MRO faster going there. An overhaul of taxation and other rules is the need of the hour, as the Indian civil airline market is set to grow at a very fast pace. This is a long overdue reform and an oddity that needs urgent acceptance and implementation.

(m) There exists a critical need for skill development considering that there are over 1.8 million jobs on offer in the next 10 years in this strategic sector. The reality

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is that, at present, there is a real shortage of suitable personnel. The National Skill Development Corporation should take the initiative to coordinate the multi-ministry effort required to produce trained man power, with a focused approach and periodic reviews of results vis-à-vis the desired goal.

(n) Establishing and nurturing a strong industry-academia-government triumvirate link for leveraging domain specific knowledge and competencies will accrue rich dividends to academic institutions as well as to the aerospace industry. Necessary curriculum modification at University level, based on required need and relevance, should be undertaken to overcome the present disconnect between higher education and requirements of the aerospace industry. This would enable aerospace industry emerge as a preferred choice of the young as they graduate to higher studies.

Conclusion. The participants of the conference were keen for the continuation of this annual event and felt that the participation of Government officials as audience and/or speakers would enable better understanding of the issues involved leading to more effective policy formulation.

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September 2016

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September 2016