Stimulating the Aerospace Industry

Why in News?

Addressing an industry gathering, the Defence Minister spoke about a series of targets for increasing the aerospace and defence production of India.

What are the targets?

- He urged the **private sector to boost annual defence production** to $26 billion by 2025.
- He also stated that the government aims to **double the aeronautics industry's size** from Rs 30,000 crore to Rs 60,000 crore by 2024.TheseTh
- This aim is to be achieved through measures such as encouraging the global aerospace industry to source aero components from India. Mr Singh
- He stated that efforts are made to double the number of the micro, small and medium enterprises (MSMEs) in aerospace and defence (A&D).

What is the current production?

- Of the current annual aerospace production of Rs 30,000 crore, Hindustan Aeronautics Ltd (HAL) accounts for over Rs 20,000 crore.
- The remaining one-third consists of offset related production by biggies and the export related production of aerospace components by MSMEs.
- MSMEs have embedded themselves into the global supply chains of industry leaders such as Boeing, Airbus, Bell Helicopters and others.
- These MSMEs need to meet the demand of international benchmarks of high-quality production and on-time delivery.

How the production target is to be met?

- There are structural and functional limitations to how much HAL can realistically expand production.
- Meeting the aerospace production target of Rs 60,000 crore would have to come through MSMEs that are manufacturing for the global supply chains of the large "original equipment manufacturers" (OEMs).
- To support these firms and enable their growth, the fundamentals need to be set right first.

What policy hindrances do Indian companies face?

- Indian government must recognise that our firms competing for global orders are up against rivals that are supported by their governments.
- These governments support them with tax and export incentives and infrastructure that almost invariably surpasses India's.
- The high cost of capital and lack of access to funds are the greatest deterrent to growth of the Indian companies.
- This resulted in a loss of business and a missed opportunity for creating jobs and skills.

How these policy hindrances are to be overcome?

- The government could create **A&D Fund** to provide low cost capital quickly to enable our MSMEs to grab fleeting business opportunities.
- The government must introduce these MSMEs to the overseas OEMs, with the tacit assurance that New Delhi backs its companies.
- Simultaneously, it government must incentivise global OEMs with tax incentives for working with Indian MSMEs.
- It would be worthy to change the criteria for defining an MSME in terms of annual revenue with an upper limit of Rs 500 crore.

What could be done academically?

- The government must shift the skilling emphasis from quantity (numbers put through training) to quality (ability imparted).
- The AICTE must allow industry participation in creating curriculum and training infrastructure in consonance with industry needs.
- Already, several companies run their own training curricula.
- The government could recognise these programmes as valid academic qualifications for career advancement.
- It must create a legal intellectual property (IP), patents and inventions protection system on a par with global standards.

How should the business environment be?

- A safe and conducive business environment will fundamentally shape the outcomes.
- India's international businessmen are facing the consequences of India's shift away from liberal democracy.
- Foreign businessmen are attracted to Bengaluru by that city's easy culture.
- By that token, the government much create an A&D corridor with an easy culture which interests the international businessmen.

Source: Business Standard

