

# The importance of being at the centre

Exploiting its geographical advantage, Nagpur can become a hub for aircraft maintenance, repair and overhaul. It can also become an important warehousing site

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**N**agpur was located at the geographical centre of India before partition. In independent India too, one major city close to the very centre of the country is Nagpur. The country woke up rather late to exploiting its locational advantages, when in 2008 the proposal to construct an international multi-modal passenger and cargo hub (MIHAN) special economic zone (SEZ) was approved. Wikipedia calls it the biggest development project currently underway in India in terms of investments.

Implementation of GST can prove to be a blessing in disguise to this initiative. Big consumer businesses realise that each metropolitan city in India is roughly equidistant at around 900 km from Nagpur. Thus, a central warehouse in Nagpur will result in considerable logistics savings. Expectedly, investments in warehouses in and around Nagpur have surged, which should translate into an increase in air traffic. Facility of maintenance, repair and overhaul (MRO) at such a logistic hub makes sense. Luckily, this was already in the works at MIHAN. In FY 2006, when Air India inked a multibillion-dollar purchase deal for aircraft, Boeing agreed to build an MRO facility at Nagpur. This facility is touted as the most modern MRO in the subcontinent, with connectivity to Nagpur international airport by fully developed and operational taxi track.

Globally, among the three main MRO capabilities – airframe, engine and component services – engine maintenance makes up the largest proportion of the market, followed by component services and then airframe heavy maintenance. Engine, airframe and heavy maintenance usually require

specialised labour, are infrastructure intensive; and hence are performed by specialised players. This is where the opportunity lies for Nagpur.

In 2017, the MRO business of Indian carriers was estimated to be around ₹5,000 crore. As our air travel picks up, this number is expected to rise. Maintenance accounts for around 10-15 percent of an airline's cost. However, about 90 percent of this business went to countries such as Sri Lanka, Singapore, Malaysia and the UAE. Cheaper costs in these countries are due to favourable tax laws and lower end-to-end turnaround time. The total tax component for an MRO based in India comes to around 20-22 percent. Given the speed of our various clearances, the end-to-end turnaround time for servicing an aircraft is way too much compared to international standards. As a result, India loses business from our domestic flight operators. This is an irony since labour costs in India are much lesser at \$30-50 per man-hour compared to global rates of \$40-100 per man-hour.

In its efforts to give boost to the Air India Nagpur MRO facility, the union budget 2016 as well as the government of Maharashtra offered numerous

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incentives for it. As a result, in 2017, SpiceJet signed an agreement with Air India to service its Boeing 737 aircraft at this MRO. As per reports, MIHAN is also gaining traction for MROs from the private sector with an announcement of a new airframe MRO facility. In the first phase, which will come onstream by September 2018, this private facility will cater to all the maintenance requirements of narrow-body aircrafts. MIHAN will thus have facilities that will cater to both wide- and narrow-body aircrafts, giving it scale.

However, it faces a problem with respect to attracting talent. For example, Air India was unable to convince its engineering staff from Mumbai and Delhi to relocate to Nagpur. As a result, Air India invited bids from private players to lease the MRO airframe facility at Nagpur. Response was not encouraging as it received only one bid after which Air India decided to run the facility on its own. Though attracting talent is an issue, this can be tackled at the company level by announcing suitable incentives to relocate.

Given the abundance of engineering talent and low labour costs, India should have a thriving MRO industry. This has been recognised in the new Civil Aviation Policy, and the central government has laid down its aim for developing India as an MRO hub for aircrafts. Nagpur is geographically blessed to be the fulcrum of that. What needs focus is to pace up the expansion of the existing airport as well as expedite new cargo hub projects at MIHAN, which are important for air traffic to increase at Nagpur. The state and central governments need to expedite processes so that Nagpur becomes the MRO hub of the country. ■

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