EU-India Aviations Relations: Promise For The Future

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AIR TRANSPORT IN PR CHINA AND IN INDIA: MARKET DEVELOPMENTS AND POLICY IMPLICATIONS

AIRNETH ANNUAL CONFERENCE

THURSDAY 15 APRIL 2010

THE HAGUE

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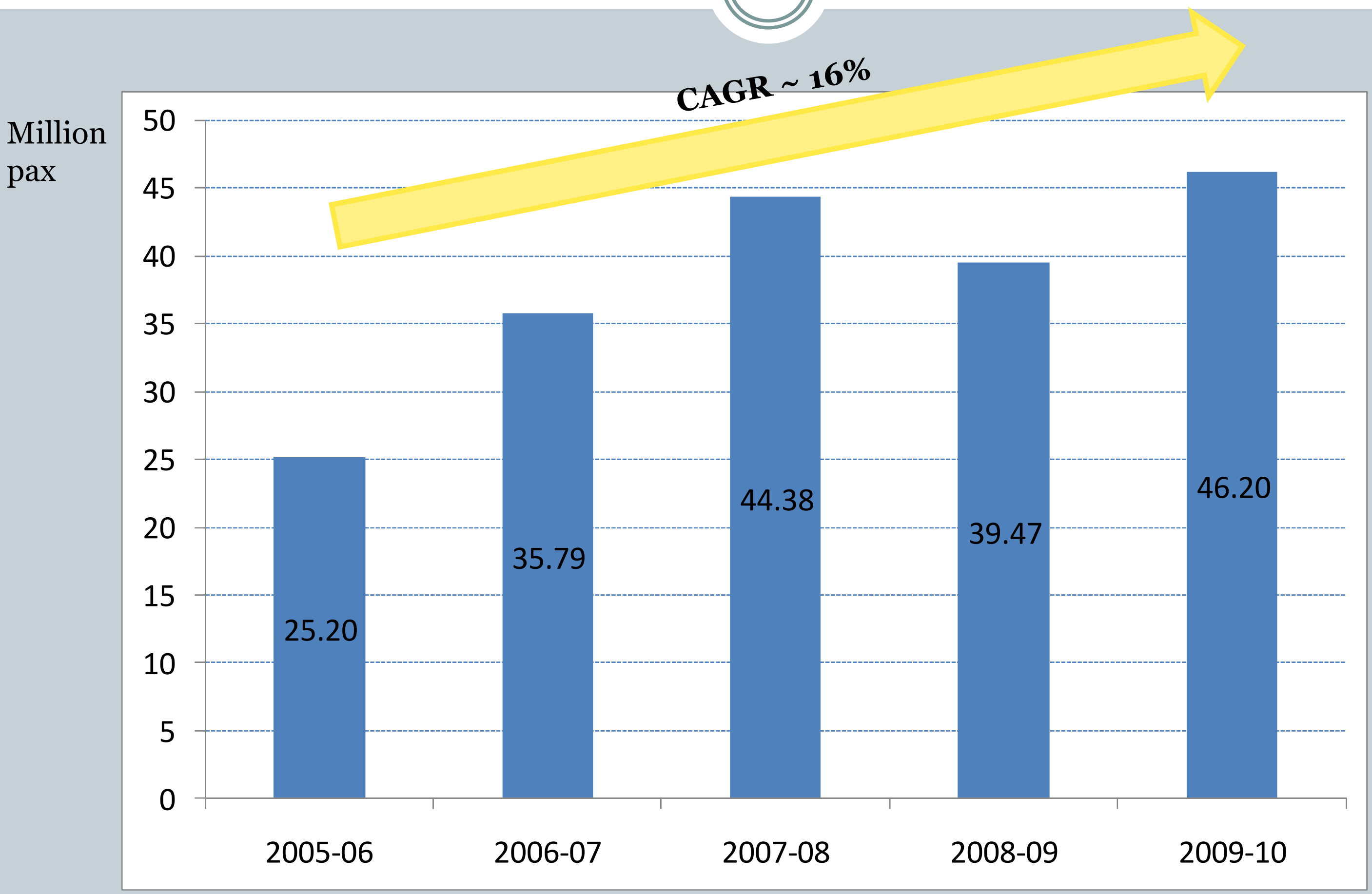
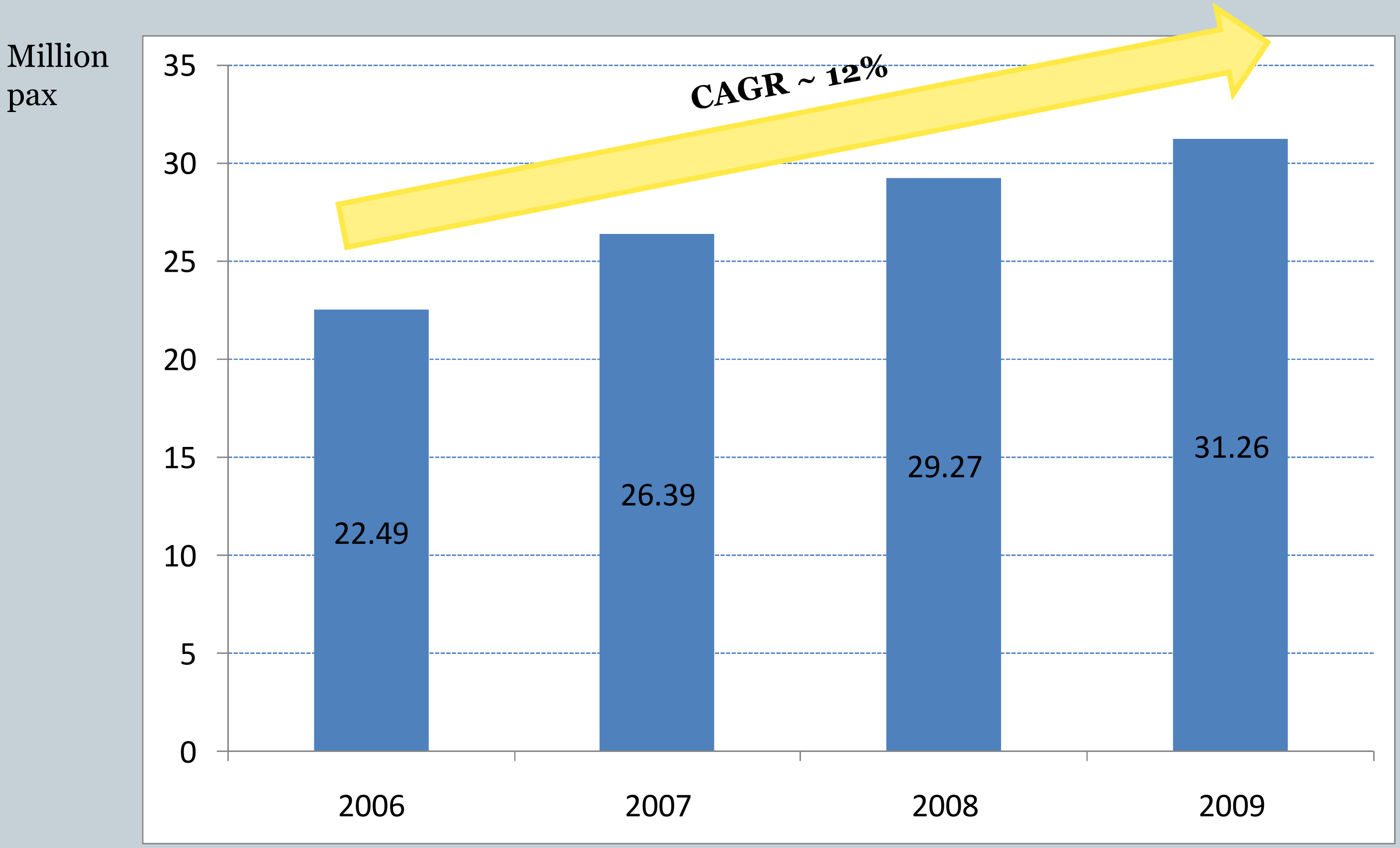
Domestic traffic has rebounded strongly after seeing a dip in 2008-09



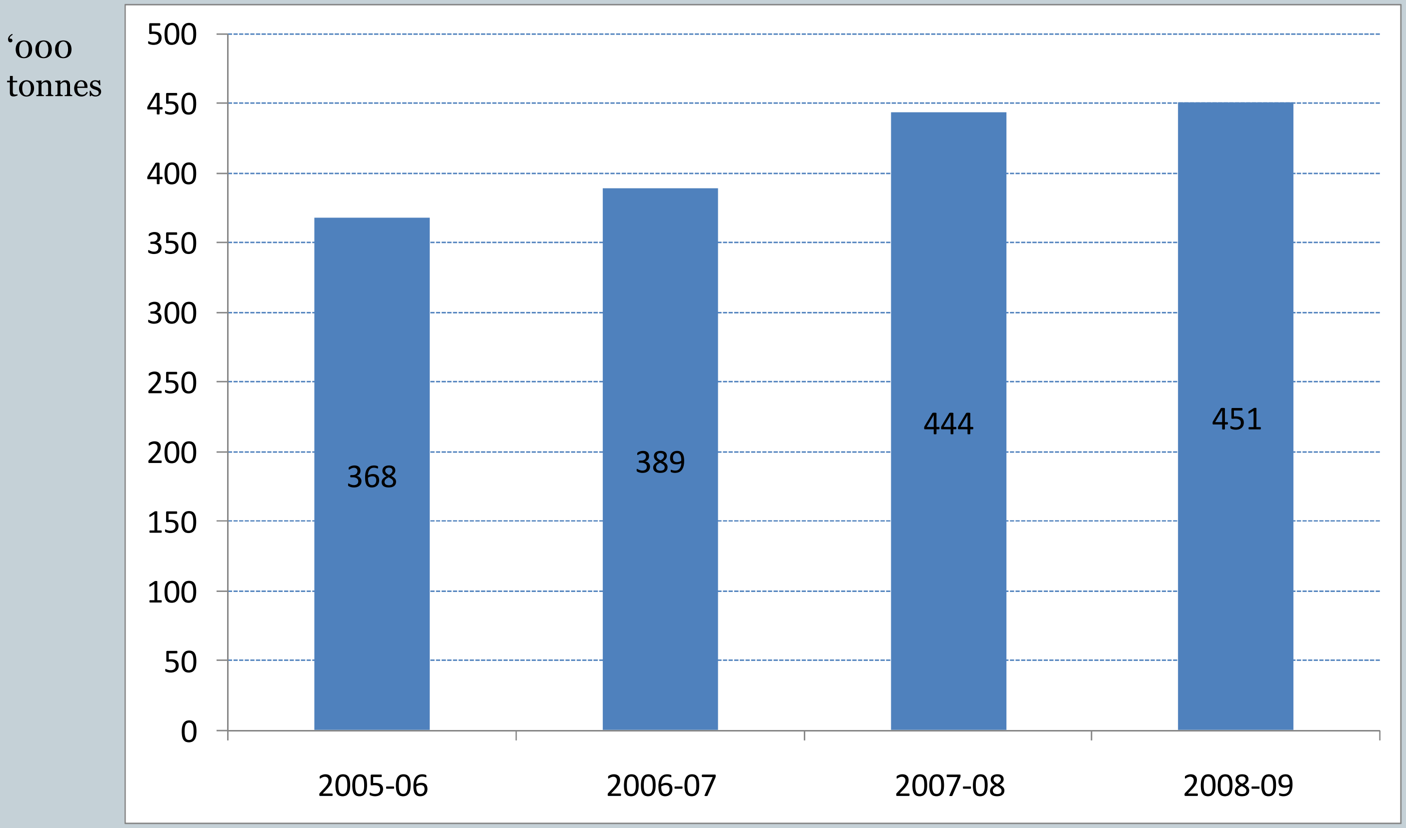
Note: 2009-10 numbers are provisional

International traffic to/from India has also shown healthy growth over the last few years



Note: 2009 numbers are provisional

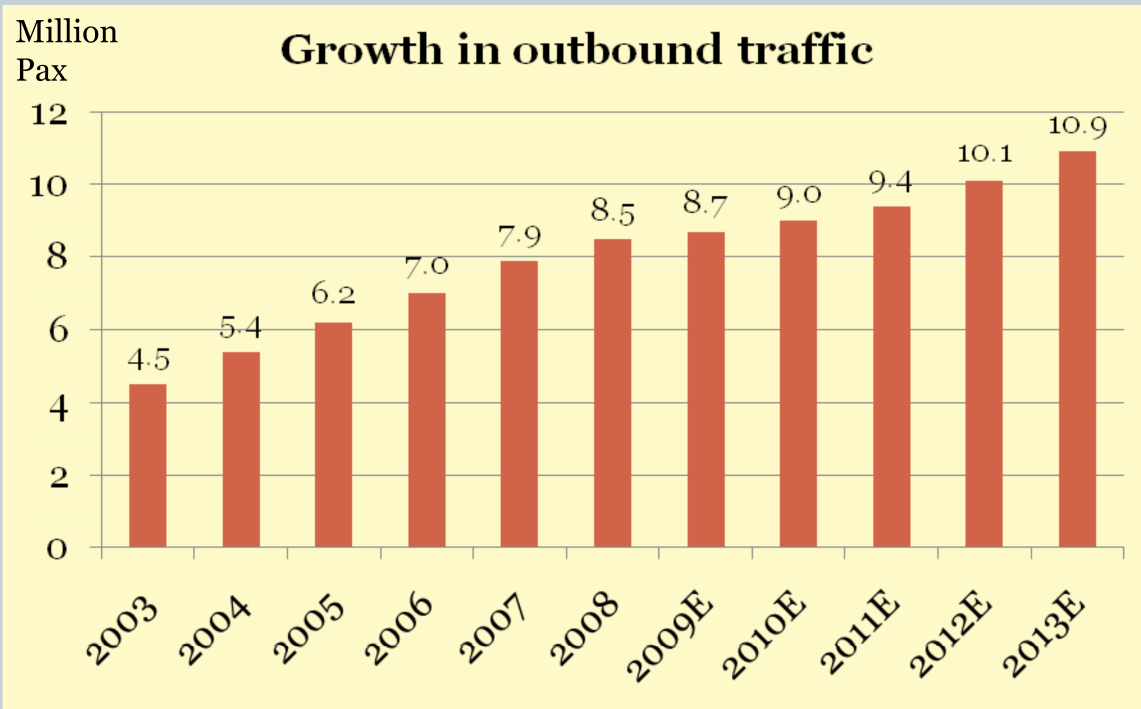
Meanwhile freight has shown modest growth



Note: Freight traffic is for both domestic and international

Key drivers of growth

- Economy growing @ 8% per annum
- Burgeoning middle class which is fueling growth in outbound travel



However, growth is happening from a very low base which presents a huge opportunity

Per capita number of trips

India	0.02
China	0.10
US	2.20

110x

Population in million per aircraft

India	2.89
China	1.14
Brazil	0.63
South Africa	0.31
Japan	0.24
Germany	0.11
Britain	0.07
US	0.05

58x

Indian aviation: forecasts

- Ernst and Young - 12.2% CAGR passenger traffic in 2 decades
  - Freight traffic – 20 fold growth in 2 decades
- Airbus Industries – 1032 Aircraft worth USD 138 billion over 2 decades
- Boeing – 1000 aircraft worth USD 100 billion during 2009 - 2028

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Domestic policy landmarks

- 1950 – 1991: State monopoly – Air India / Indian Airlines
- 1991 – 2003: Gradual opening : only few players – 2 survivors
- 2003 onwards: 6 new entrants – mostly LCCs
- Government continues to be liberal towards capacity induction
- Airlines have complete freedom in choosing routes and applying tariff (subject to the compliance of Route Dispersal Guidelines)

International policy landmarks: 1950-2003

- 1992: Unilateral 'open skies' for all freighter services
- Highly protectionist towards National carrier - Air India
- Single designation
- Bilaterals– highly constrained
- Commercial agreements with national carrier mandated
- Tariff approvals
- Restriction on code shares

International policy landmarks: 2003 onwards

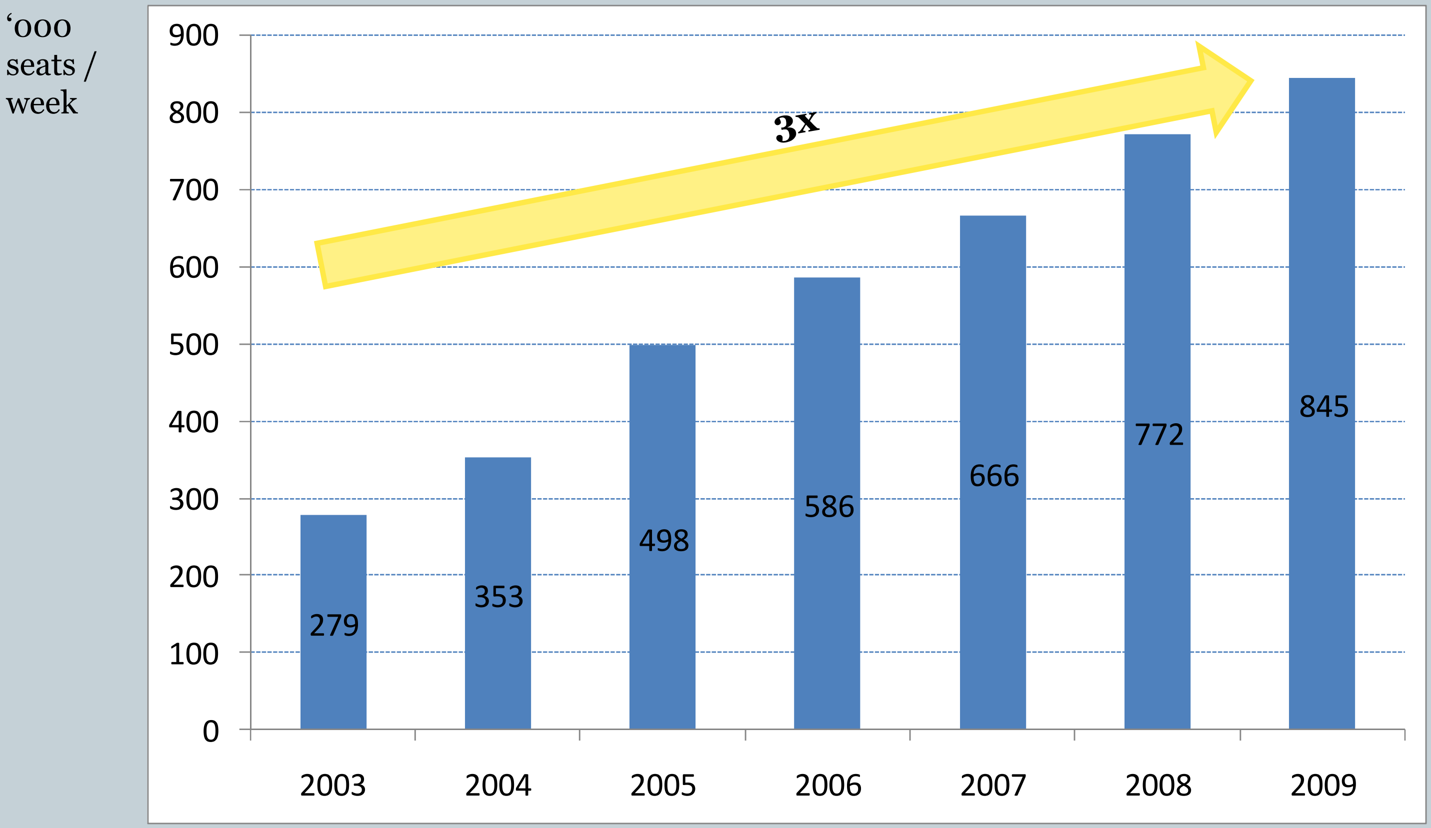
Process of liberalization commences

- Opening up international route through bilateral negotiations: 'The larger picture'
- Multiple designation
- Private Indian carriers go international – 5 years / 20 aircraft
- 7 + 7 policy
- Doing away with mandated commercial agreement
- Deregulation of tariff control
- Code share provision – liberalized

Other key policy changes

- Airports – State monopoly up to 2003
- Delhi / Mumbai privatized in 2006
- Concessions for green field airport at Hyderabad / Bangalore in 2003
- Air Navigation Service – State monopoly continues
- US Open Sky Agreement/ ASEAN-SAARC limited Open Sky
- Foreign Direct Investment
  - Airline sector – 49% (foreign airlines not allowed)
  - Cargo – 74%
  - Airport sector – 100%
  - MRO – 74%
  - Ground handling – 74%

Enhancement of bilateral seat capacity



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EU-India traffic growth: Few illustrations

	2003		2010	
	European	**Indian**	**European**	**Indian**
India - UK	22	13	52	56
India – Germany	20	7	54	21
India – Netherlands	14	-	7	-
India – France	14	7	20	3
India – Belgium	-	-	-	21
Europe - India	**70**	**27**	**133**	**101**
Total	**97**		**234**	

EU-India aviation relations headed in the right direction

- Cooperation program – emphasis on regulatory harmonization and capacity building
- EU- India Aviation Summit held at New Delhi in 2007
- Signing Horizontal agreement in 2008
- European Member States commit special package for India
- Special package being negotiated by the Indian side on a bilateral basis
  - Co – operative marketing arrangements unrestricted
  - Access for all cargo services
  - Inter model transport agreement
- Indian carriers will be able to use European airport as an effective hub

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Key areas of cooperation identified

- Passenger traffic
- Freight traffic
- Cooperation of the regulatory bodies
- MRO activity
- Air Navigation Services
- Ancillary businesses e.g. ground handling, catering & pilot training etc.

A phased approach to regulation

- Regulation: Move towards ‘open skies’ in phases

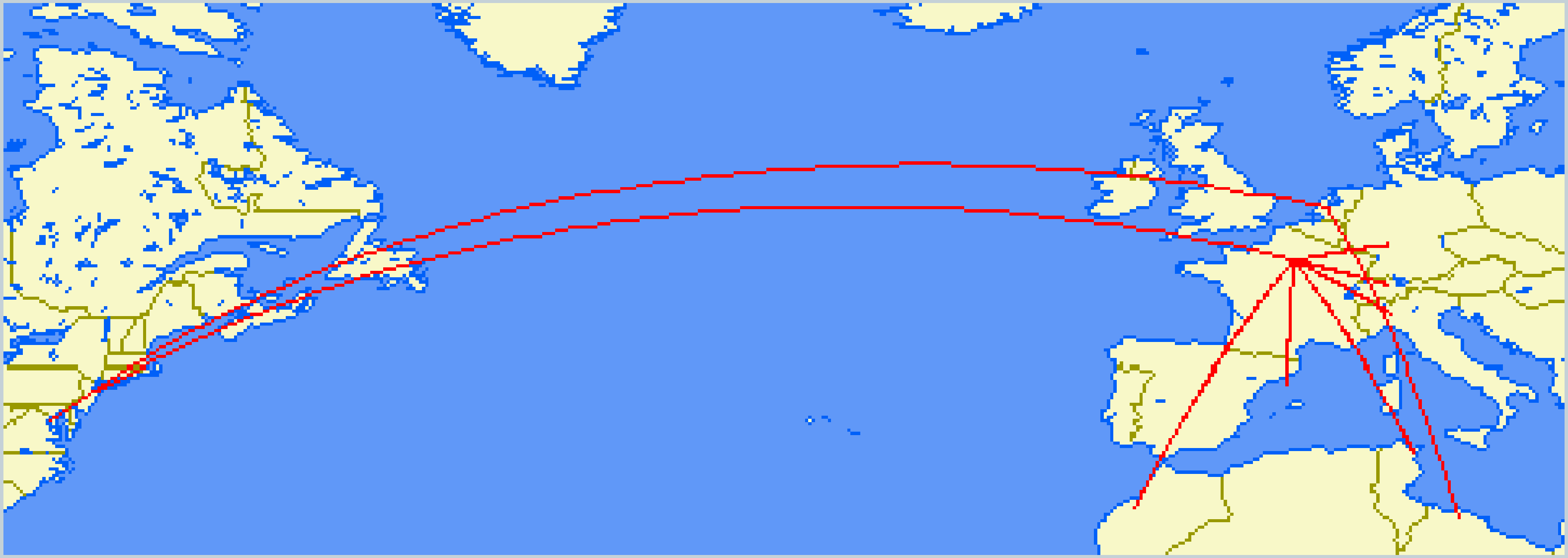
- Phase I (0-2 years)
  - Remove all restrictions on code – sharing rights
  - Domestic code sharing to be encouraged
  - Allow co-terminlization of two points without cabotage rights
  - Liberalize route / traffic entitlements – at least 7 services to each point.

- Phase – II (2 - 4 years)
  - EC to secure the mandate of Member states
  - 3rd / 4th Freedom ‘open skies’

- Phase – III (4- 5 years)
  - 5th / 6th Freedom ‘open skies’ –
  - Change of gauge
  - Star burst

Leveraging geographical location: EU carriers to use India as the connecting hub

Leveraging geographical location: Indian carriers to use EU as the connecting hub



Long-term opportunities in India

- Democratic institutions
- Rule of law
- High growth potential
- Friendly investment regime
- Liberalization of aviation sector
- New airports – filling the gap

Challenges for the future

- Government policy towards the National Carrier
- Fuel Pricing-High Taxation
- Return on Investment : Airports, ANS
- Modernization of safety and security apparatus
- Flexible use of Air Space

Thank You