

INTRODUCTION

This report was commissioned and researched for the Canadian High Commission, New Delhi, by Fairwood Consultants Limited in March-June 1993. Concurrent reports have also been prepared on the civil and military aviation sectors in India. Together, the three reports provide a comprehensive overview of the Indian aviation sector. It is hoped that these reports will provide the Canadian aerospace industry with an introduction to the Indian aviation sector and an indication of the market potential that exists.

In July 1991, the government of Prime Minister Narasimha Rao introduced a dramatic program of economic, industrial and trade liberalization, which, with subsequent government budgets, has resulted in: the virtual dismantling of the famous industrial "license Raj"; the elimination of restrictive foreign exchange controls; the delicensing of import and export activities; and the full convertibility of the Indian rupee on the trade account.

Although the reform process is not yet complete, India has made dramatic strides that now offer tremendous opportunities for Canadian companies in India, both as an export destination and as a partner for industrial collaboration. Canadian business has already begun to take advantage of India's economic liberalization. In 1992, Canadian exports to India were up 75% (48% when a large wheat sale is discounted). Canadian companies also entered into 22 technology transfer or joint venture agreements in 1992.

The aviation sector has not been immune to this process of liberalization. In the past two years, 10 private airlines have commenced operations. In the next session of Parliament, the Government is likely to introduce legislation to merge the two airports authorities, as well as to enact a new Air Corporations Act. For India to take full advantage of its economic reforms and more closely integrate itself into the world economy, its airports must be able to handle increased passenger and cargo traffic. International and domestic passenger traffic are projected respectively to growth by 12% and 9% annually over the next decade. To handle this demand India plans to modernize and expand its current airports and build new ones, and to improve its air navigation system:

- * By early next century, new airports are to be built in Bombay, Bangalore and Cochin;
- * Another 12 regional airports are to be upgraded by 1995 under a Rs. 3.5 billion model airports plan¹;
- * Close to Rs. 5.0 billion has been earmarked to upgrade air traffic and navigation facilities;
- * An ambitious Rs. 10 billion plan has been drawn up to upgrade India's air navigation system to meet FANS standards by 2010;
- * The Government is considering developing the international airport at Delhi into a gateway airport for South Asia; and
- * The Government is planning to upgrade the security systems at Indian airports.

Canadian consultants and airport developers will find increasing opportunities in India, but they may also be expected to arrange project financing. Canadian equipment manufacturers will also be able to benefit from the expansion and modernization of airports in India. In March 1993, Raytheon Canada secured a \$ 23 million contract to provide air traffic control radars for the Bombay and Delhi international airports. However, it must be mentioned that all but the most sophisticated airport equipment is manufactured locally, most of it through technology transfers, licensing agreements or joint ventures. Canadian aviation equipment manufacturers seriously interested in this market will likely have to consider this option to take full advantage of the opportunities available in India. The first real opportunity to get a first hand view of the Indian aviation sector is at the AVIA India Airshow, which will be held December 15-18, 1993 in Bangalore (see page 11 for contact details).

¹ At the time of printing the exchange rate of the Indian Rupee to the Canadian Dollar was Rs. 24.03 = CAD 1.