

## EXECUTIVE SUMMARY

This report was commissioned and researched for the Canadian High Commission, New Delhi, by Nick Daniel, a private aviation consultant, and Fairwood Consultants Limited in March-June 1993. Concurrent reports have also been prepared on the airports 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.

Since July 1991, the Government of India has pursued a program of economic liberalization. This has unleashed Indian industry and made India a more open place to do business. Canadian business has already begun to take advantage of liberalization. In 1992, Canadian exports to India were up 75% (48% when a large wheat sale is discounted) and Canadian companies entered into 22 technology transfer or joint venture agreements.

The aviation sector is not immune to the liberalization process. In fact, for India to take full advantage of its economic reforms and more closely integrate itself into the world economy, it must expand and modernize its transportation, telecommunication and power infrastructure. While many regulatory hurdles still exist, the aviation industry is one of the fastest growing and more dynamic sectors of the Indian economy. It offers excellent potential for Canadian exports and for collaboration with Indian partners.

Citing economic liberalization, the rapidly changing business climate, the burgeoning middle class, affluent overseas Indians, and the Government's thrust on tourism, the International Air Transport Association (IATA), in its latest report "Air Traveller Forecast: Air Visitor Arrivals in Key Asian Countries: 1981-2010", has projected that international arrivals to India will increase by 7.2% annually over the next decade. Studies carried out by the International Airports Authority of India and Arthur Anderson have reported findings similar to that of the IATA report, indicating annual growth rates of 9% and 12% respectively for international and domestic passenger traffic.

To meet this increasing passenger demand, India's four national carriers have all drawn up fleet expansion plans. Air-India is taking delivery of four Boeing 747-400s in the next year, and plans to add another 10 medium capacity long-range aircraft by the end of the decade. Indian Airlines is in the process of taking delivery of 12 Airbus A-320s, and plans, based on 8% annual traffic growth, to increase its fleet from 52 to 175 by the year 2010. Both of these airlines have established fleet renewal plans that will see aircraft replaced after 10 and 15 years service respectively. Vayudoot, which was merged into Indian Airlines in May, is in the process of selecting a new 50-seat regional airliner to replace its aging fleet. The immediate requirement is for 10-12 aircraft. Pawan Hans has recently purchased a Bell 206B Longranger helicopter and has issued a tender to lease five MI-8 and MI-17 helicopters. Pawan Hans fleet of 19 Dauphin SA-356N helicopters will likely need to be replaced in five years.

Yet, the growth in the civil aviation sector has not been confined to the national carriers. Since the Government of India announced an Open Sky policy in April 1990, the private sector has become actively involved in civil aviation in India. In the past two years, 11 private airlines have commenced operations. While five have since closed down their operations, six, led by East West Airlines, continue to become more firmly established, and three more have announced plans to start operations in 1993. In the first two years of operations, the private airlines have been able to carve out a 10% share of domestic passenger traffic. Some are now entering the cargo market and two have obtained landing rights in Gulf countries and are waiting for approval from the Indian Government to operate on these routes. Current expansion plans of the private airlines are to increase their fleets from around 25 to about 45 aircraft within the next year. Most analysts believe that, at the most, three or four private airlines will survive, with the others folding or being amalgamated with the survivors.

The situation for private airlines is, however, still uncertain. Until the Air Corporation Act of 1953 is amended, they are not legally permitted to operate scheduled services. The Government is likely to introduce legislation to enact a new Air Corporations Act in the current session of Parliament. Whatever shape the Air Corporation Act amendments take, ultimately, the Government is unlikely to be completely "hands off" with the private airlines because of its concern for the national carriers. So it is to be expected that there will always be some regulation of fares, routes and the overall number of operators.