



*South Asia's leading aviation
consulting, research and
knowledge practice*



East meets West

A focus on India and the Indian Traveller

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Presentation to MEDFA Conference

Dubai, 27 November 2012



We understand Indian Aviation

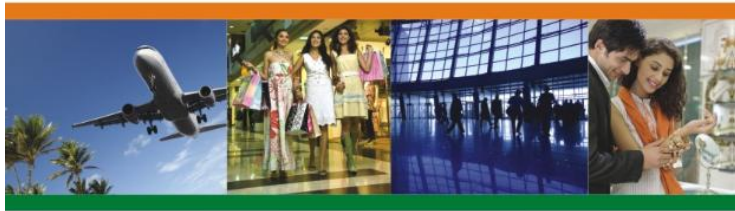
- Completed more than 55 advisory engagement across the value chain, and in excess of 30 in-depth research reports and position papers
- Supported by India's only dedicated aviation research practice and most robust industry databases
- Additional services include capital advisory, aircraft acquisition and asset management

CAPA India publishes in-depth research reports on key issues and industry verticals including:

- Airport Retail
- Annual Sectoral Outlook
- Aviation Master Plan 2040
- Business & General Aviation
- Cargo & Logistics
- Ground Handling
- Low Cost & Regional Airlines
- MRO
- Travel Distribution

We have become recognised for the consultative and applied nature of our analysis, which has allowed us to develop a very accurate track record for our industry outlooks and forecasts.

- Our database of market statistics and indicators is unrivalled in India. We have a comprehensive central store of data for airlines, airports, general aviation operators, freight and express, airport retail and maintenance, distribution, ancillary revenues including for example:
 - ➔ airline and airport profiles;
 - ➔ traffic, capacity, schedule and market share data analysis;
 - ➔ aircraft fleet register including operator, age, engines, capacity;
 - ➔ airport retail analysis, category-wise data;
 - ➔ route-wise passenger movements and load factors;
 - ➔ commodity-wise air cargo movements;
 - ➔ fare and yield tracking on key routes;
 - ➔ cost metrics including historical fuel prices;
 - ➔ bilateral capacity entitlements;
 - ➔ status of airport development projects;
 - ➔ maintenance provider capabilities and check histories;
 - ➔ National, state and district wise economic data, per capita GDP, income distribution profiles, and breakdown of economic activity (these unique data points are critical for new route planning);



CAPA India Travel Retail Report 2012

Objective and actionable analysis to support informed investment and business planning

Published in collaboration with:



CAPA Research & Market Analysis Unit
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CAPA India Retail Advisory & Research

India's Largest-ever Airport Retail Study

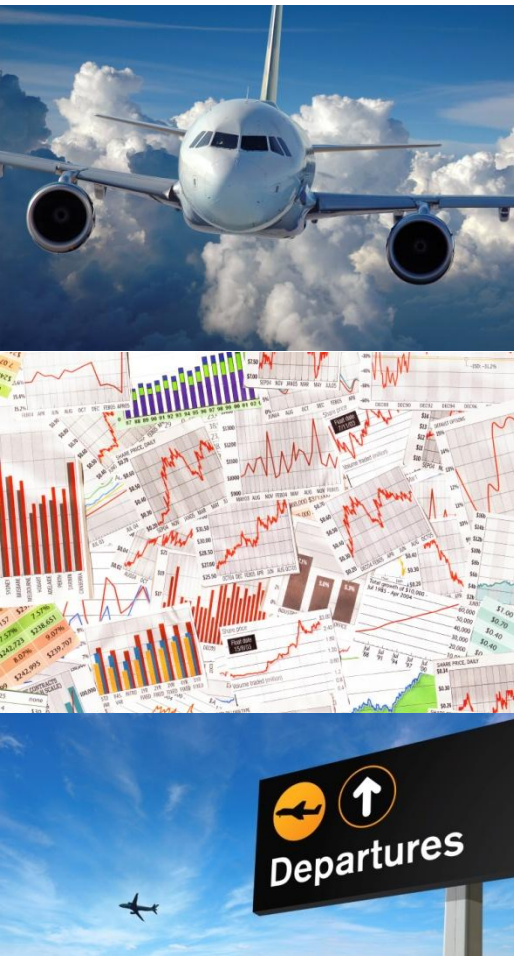
- Comprehensive survey of consumer behaviour
 - Covering 10 largest Indian airports
 - 6,000 passengers interviewed airside
 - Supported by extensive focus groups involving 700 premium passengers and 400 LCC passengers
 - Exclusive analysis of premium travellers
 - Highlighting emerging markets e.g. female passengers, first time travellers, children and youth, family groups.

India Category Wise Airport Retail Databases, April 2013

- CAPA India is compiling the first and unique set of industry databooks providing category, product, brand and location-wise sales data for liquor, perfumes and cosmetics, tobacco, chocolates, fashion and electronics.

Retail Advisory Practice

- Our advisory practice offers specialist services to airport operators, retailers and brands seeking to enhance their travel retail presence in the dynamic but complex Indian market.



- **Worldwide Coverage:** Our global practice provides in-depth coverage of strategic industry trends across all regions.

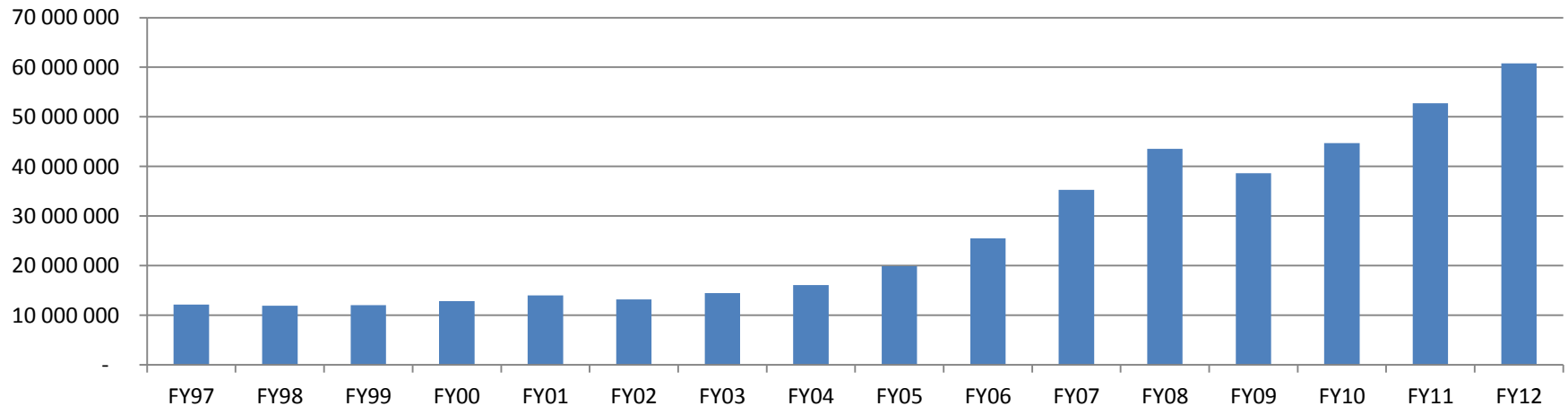
We have released more than 9,000 reports for the global aviation community and offer a proprietary data analytics platform for more than 7,000 airlines, airports and suppliers.
- **Additional services:** include capital advisory, aircraft acquisition and asset management, education and training, aerospace manufacturing, research and design.
- **Global Presence:** Headquartered in Sydney, with offices in Singapore, Hong Kong, Tokyo, New Delhi, Manchester, Washington and San Francisco.

- Traffic Growth: Recent History & Forecasts
- Challenges for the Sector
- The India-Middle East Aviation Market
- Airport Retail in India
- India – Opportunity or Competition for the Middle East?

Traffic Growth: Recent History and Forecasts

- Rapid Growth:** After many years of stagnation, domestic traffic in India has accelerated since 2004, posting a compounded annual growth rate of 18.1% between FY2004 and FY2012. The steep increase is attributed to a combination of factors, including strong GDP growth; expansion of the middle class; liberalisation of the market, increased competition and the introduction of the LCC model; and changing attitudes to consumption.
- Recent Contraction:** However, due to current challenges in the market, domestic traffic in 7 months to date of FY13 is down 6.4% on FY12.

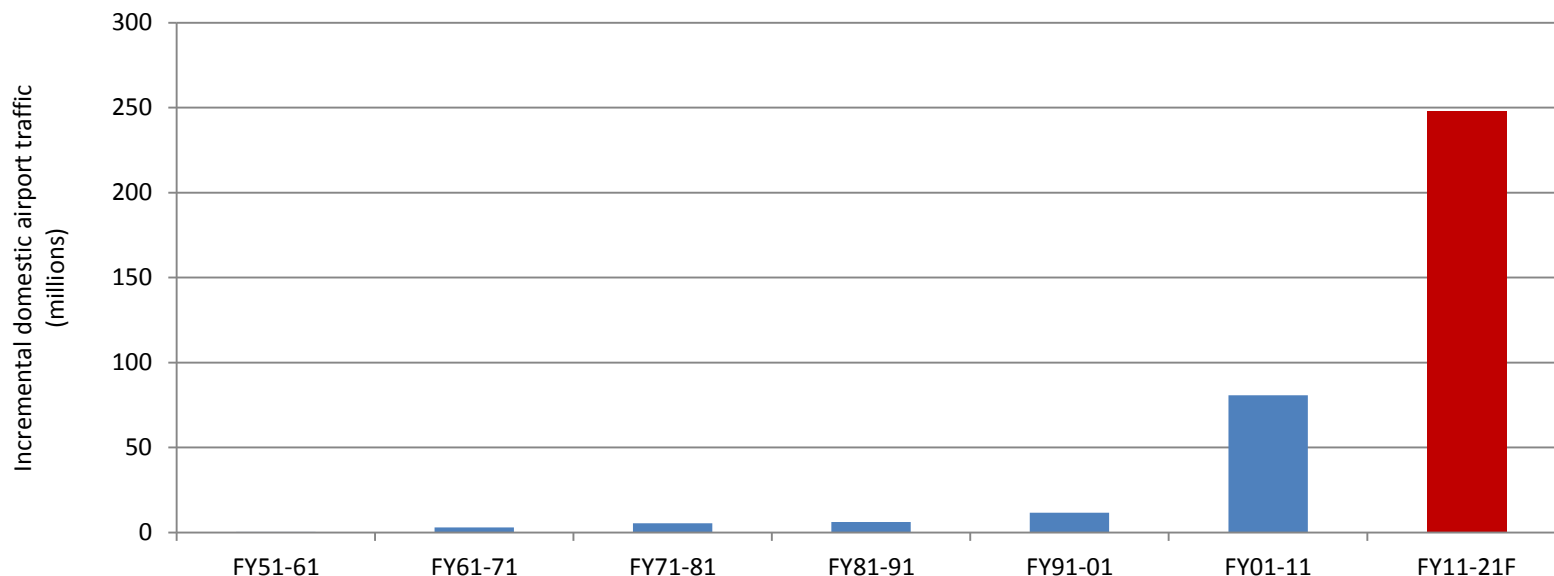
India Annual Domestic Passenger Numbers FY97 to FY12



Source: CAPA, DGCA

The incremental growth in Indian domestic airport passengers in the last decade is striking. **The increase between 2001 and 2011 was three times the growth that had been achieved in the previous 50 years.** And with strong growth expected to continue, but this time off a dramatically expanded base, the task ahead is enormous.

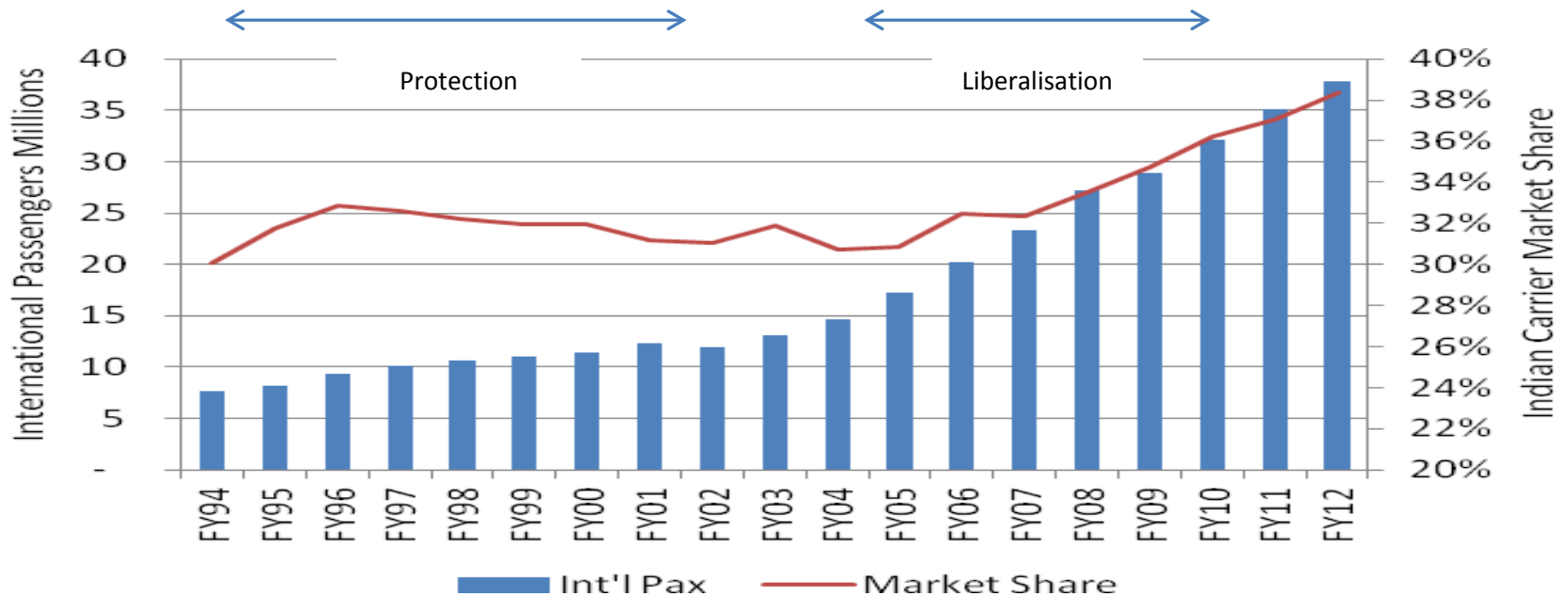
Incremental Domestic Passengers Handled at Indian Airports by Decade since 1951



Source: CAPA, Ministry of Tourism

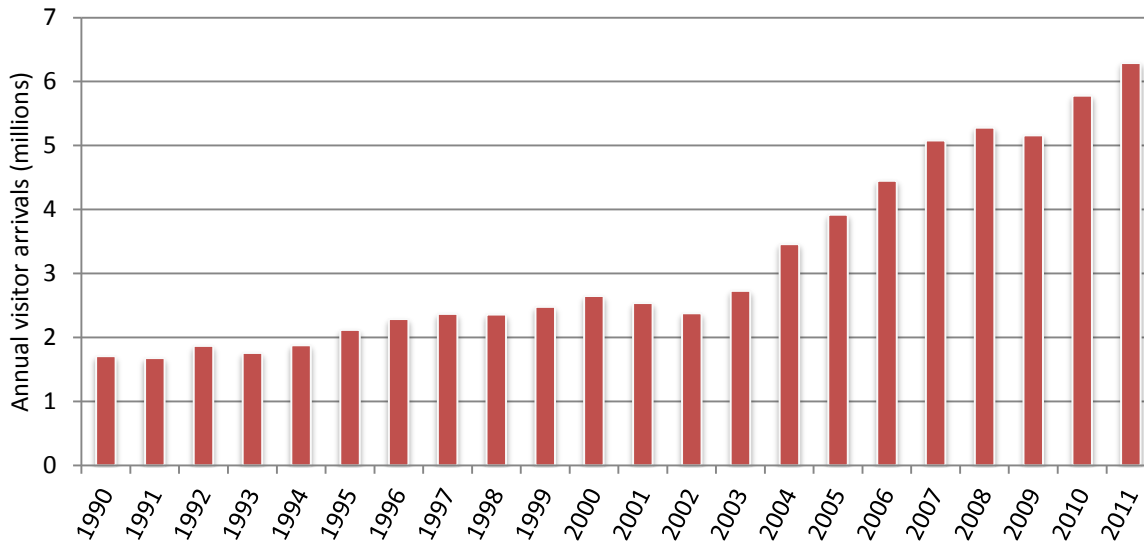
International Traffic Growth and Indian Carrier Share of Capacity

- International passenger traffic to/from India has accelerated since 2004/05. During the same period, Indian carriers have increased their share of total international capacity from the long term average of approximately 30% (where it had stabilised for several years), to over 38%.
- There has been a slow down in FY13, however growth remains positive at around +3% year-on-year for the year to date



- Foreign visitor arrivals into India have seen a strong increase since 2004, even after taking into account a decline in 2009 which was due to a combination of the weak economic situation in the key source markets of the US and Europe, as well as the impact of the aftermath of the Mumbai terrorist attacks. In the 5 years from 2003 and 2008 the CAGR was 14.1%. Foreign tourism arrivals in the 10 months to October 2012 are up 6.2%.

Annual Foreign Visitor Arrivals to India 1990-2011 (m)



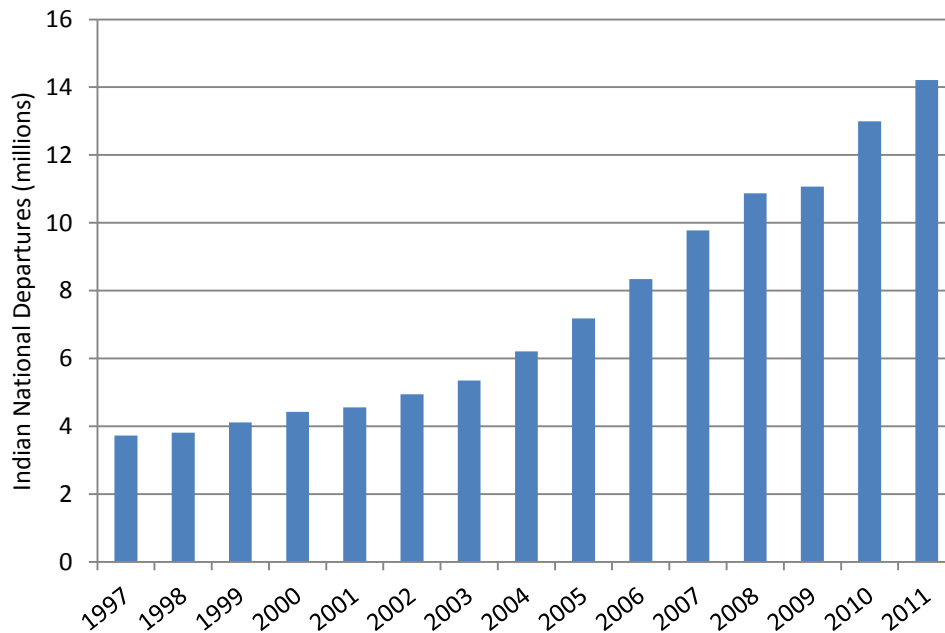
7 Year Compound Annual Growth Rate of International Tourist Arrivals in India

Period	7 Year CAGR
CY90-CY97	4.77%
CY97-CY04	5.55%
CY04-CY11	8.91%

Source: CAPA, Ministry of Tourism

Indian national departures also increased strongly over the 7 years to 2011, growing at 12.6% per annum. The acceleration of outbound departures has been smoother than inbound, reflecting the steadily growing economic prosperity of the Indian traveller.

Annual Indian National Departures 1997-2011 (m)



7 Year Compound Annual Growth Rate of Indian National Outbound Departures

Period	7 Year CAGR
CY97-CY04	7.6%
CY04-CY11	12.6%

Source: CAPA, Ministry of Tourism

**India has the 6th highest number of domestic airline seats
but by far the lowest per capita ratio amongst major markets
- the market is therefore far from saturated**

Ranking	Country	Annual Domestic Airline Seats 2012 (m)	Seats per Capita	Ranking	Country	Annual Domestic Airline Seats 2012 (m)	Seats per Capita
1	USA	784	2.49	11	Germany	37	0.45
2	China	392	0.29	12	Mexico	34	0.30
3	Brazil	134	0.68	13	France	33	0.53
4	Japan	133	1.05	14	Turkey	33	0.44
5	Indonesia	93	0.38	15	Italy	32	0.52
6	India	87	0.07	16	Philippines	28	0.29
7	Australia	77	3.35	17	South Korea	26	0.54
8	Canada	48	1.38	18	Malaysia	26	0.90
9	Russia	45	0.32	19	Norway	25	5.05
10	Spain	38	0.82	20	Colombia	25	0.53

Source: CAPA, Innovata – note that annual capacity is calculated as 52x the weekly capacity for the week beginning 26th November 2012, the actual capacity for the year may vary due to seasonal variations.

India is ranked only 16th in international airline seats well behind much smaller nations – so the upside is huge

Ranking	Country	Annual International Airline Seats 2012 (m)	International Seats per Capita	Ranking	Country	Annual International Airline Seats 2012 (m)	International Seats per Capita
1	USA	210	0.67	11	Singapore	71	13.22
2	UK	180	2.86	12	Thailand	63	0.97
3	Germany	170	2.08	13	South Korea	63	1.27
4	France	113	1.79	14	Netherlands	56	3.31
5	UAE	109	14.37	15	Canada	54	1.55
6	China	102	0.08	16	India	53	0.04
7	Spain	93	2.00	17	Russia	51	0.36
8	Italy	87	1.43	18	Turkey	50	0.66
9	Japan	79	0.62	19	Switzerland	49	6.26
10	Hong Kong	73	10.08	20	Malaysia	48	1.65

Source: CAPA, Innovata – note that annual capacity is calculated as 52x the weekly capacity for the week beginning 26th November 2012, the actual capacity for the year may vary due to seasonal variations.

Top 10 Airlines by International Seats plus Selected Others

The highest rank for an Indian carrier is 58th

Ranking	Country	Annualised International Seats by airline* (m)	Ranking	Country	Annualised International Seats by airline * (m)
1	Lufthansa	68	14	Qatar Airways	25
2	Ryanair	53	25	Etihad Airways	14
3	Emirates	53	44	flyDubai	9
4	British Airways	45	52	Gulf Air	8
5	Air France	43	55	Air Arabia	7
6	easyJet	39	58	Air India	7
7	United Airlines	35	59	Jet Airways	7
8	American	35			
9	Turkish	30			
10	KLM	28			

Source: CAPA, Innovata – note that annual capacity is calculated as 52x the weekly capacity for the week beginning 26th November 2012, the actual capacity for the year may vary due to seasonal variations.

Top 10 Airports by International Seats

The highest rank for an Indian airport is 47th – plenty of growth remains

Ranking	Country	Annualised International Seats by airport* (m)	Ranking	Country	Annualised International Seats by airport* (m)
1	London Heathrow	85	47	New Delhi	15
2	Dubai	80	56	Mumbai	13
3	Hong Kong	73			
4	Singapore	71			
5	Paris	65			
6	Frankfurt	60			
7	Amsterdam	52			
8	Seoul	50			
9	Bangkok	50			
10	Kuala Lumpur	41			

Source: CAPA, Innovata – note that annual capacity is calculated as 52x the weekly capacity for the week beginning 26th November 2012, the actual capacity for the year may vary due to seasonal variations.

- Sector has received investment of US\$25 billion since 2004:
 - US\$14 billion in aircraft equipment;
 - US\$9+ billion in airport modernisation and development;
 - US\$1+ billion in general aviation, maintenance, ground handling etc.

- Huge stimulus impact on economic development since 2004:
 - 40,000-50,000 new direct jobs created in the aviation industry;
 - 2,50,000 new indirect jobs created as a result of aviation growth;
 - Massive economic multiplier impact as a result of increased connectivity, particularly in areas such as:
 - Domestic & international tourism;
 - Domestic & international business and trade;
 - Hotel investment and construction;
- Significant consumer surplus as a result of access to low fares.
- **But the growth to date will be dwarfed by what is to come.**

Growth Ahead will Dwarf Recent Experience

	Domestic Airline Pax	Int'l Airline Pax	Airport Pax	Growth Multiple	Absolute Growth
2000/01	14m	14m	42m		
2010/11#	52.5m	38m	143m	3.4x	101 m
2020/21F*	178m	96m	452m	3.2x	309m

In 2011/12 domestic airline pax increased to 60.8 million, international airline pax to 40.8 million and total airport pax to 162 million.

*CAPA forecast from FY11

	Indian Outbound Departures	Foreign National Arrivals
2010/11	13m	6m
2015/16F*	21.1m	9.9m
2020/21F*	34.6m	13.6m

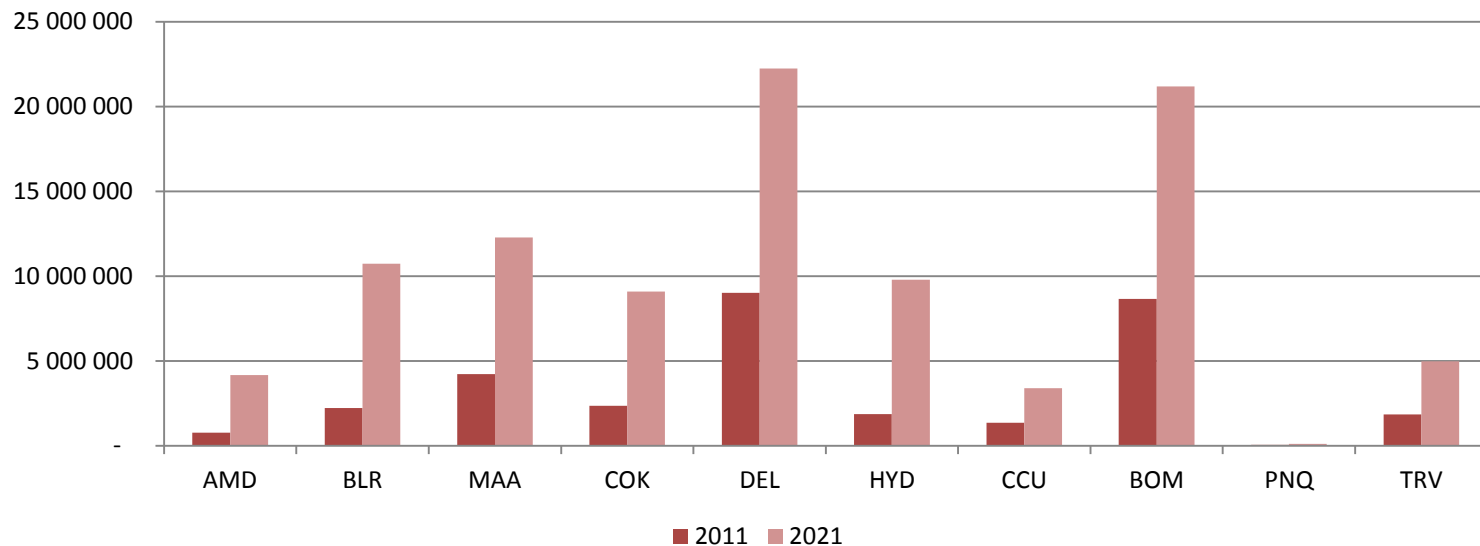
Note: To calculate airport passenger numbers the domestic airline passenger traffic is doubled as each domestic passenger counts as two movements within the country's airport system, once on departure and again on arrival.

- Our forecasts are based on an average GDP growth assumption of 8.1% per annum, however the Planning Commission has a more optimistic target of 9% until 2027.

International Passenger Traffic Forecasts to 2021

- International traffic will grow more slowly than domestic, but still represents strong and sustained double digit expansion. Traffic is forecast to grow from 37 million to 96 million over the next decade.

International Passenger Traffic to 2021 (millions)



- But while India's largest airport at that time is forecast to handle 22 million international passengers, Dubai Airport is forecast to handle 100 million passengers (more than all Indian airports combined).

Challenges for the Sector

- Indian aviation has been transformed in recent years in terms of its scope and scale, and the fundamentals driving long-term are strong.
- BUT the airline industry today is fundamentally unviable with huge losses and crippling debt.



- Airline sector has accumulated losses of US\$8.0 billion in the last six years, with total debt now at US\$16 billion and virtually no cash on the balance sheet.
- Bankers and investors are running out of patience, seeing no clear turnaround from this deteriorating performance.
- **The cost of the economic, tourism and consumer benefits outlined earlier has come almost entirely at the cost of the airlines' balance sheets.**

US\$8.0 bn

Accumulated losses of Indian carriers from FY06 to FY12

US\$16 billion

Estimated debt of Indian carriers at end FY12

US\$20 billion

Projected debt of Indian carriers by end FY13 (impact of Air India B787 financing)

Key Structural Challenges

- **Weak policy and regulatory framework:** which impacts efficiency, planning and investment.
- **Hostile cost environment:** sustained high fuel prices; significant depreciation of the Rupee has major impact due to high proportion of US\$ denominated costs; increasing airport and ground handling charges, all of which are further compounded by the next point....high taxation.
- **Negative fiscal regime:** high taxation on fuel, taxes on aircraft leases, on 3rd party maintenance and service tax on fares.
- **Infrastructure planning:** does not extend beyond the 12th Five Year Plan to 2017, whereas aviation should adopt a 20-30 year planning horizon. This related not only to airports, but also airspace capacity.
- **Training & education:** the industry faces the prospect of a severe skills shortage, there is a need for 300-350,000 additional employees in the industry by 2020, and this will in turn drive demand for an even larger number of people in the travel and tourism industries.

- **New airline licences:** need to be issued to well-funded, professional promoters, we cannot rely on the current carriers, which are largely weak, to support the growth in demand.
- **Bilaterals:** these are national assets and there is no clarity on how they are allocated. Until recently they were being reserved for Air India which was in no position to utilise them. Indian carriers, Indian tourism and the Indian economy have lost out as a result.

- **Safety and Security:** limited resources and expertise at the regulator put safety and security at risk, there is a need for institutional strengthening and independence on a priority basis.
- **Legal Framework:** is based on outdated Acts from the 1930s which require modernisation, this process should be carried out on the basis of extensive industry consultation.
- *Indian aviation has huge potential, but at present there is a disconnect in terms of the operating environment. The sector requires visionary, integrated thinking and much greater cooperation between stakeholders to achieve the transformational growth that is possible.*

Indian aviation is being stifled by over-regulation and intervention...

- It is one thing for there to be regulation. More damaging is unpredictable and poorly considered regulation.
 - As noted there is no clarity regarding allocation of new licences, bilaterals, slots;
 - Direct import of fuel reflects a positive sentiment to assist....but impractical;
 - Foreign airline investment may still be challenged in Cabinet, and is of limited benefit unless there is clarity on whether new licences will be issued.
- We have a situation where it is easier for inexperienced promoters with poor business plans and limited capital to launch an airline than a serious, well-funded venture supported by successful global operators. This cannot be in the interests of the sector.

So we have a case of:

- 1. Over-regulation and intervention;**
 - 2. Which is made more challenging by the fact that it is unpredictable;**
 - 3. And this in turn is compounded by the fact that the institutions overseeing this regulation are weak and operate in the absence of a defined policy framework.**
-
- Investors feel that the goal posts keep changing. Intervention since 2008 for example has been driven by a focus on Air India, which has paralysed decision making and influenced policy to the detriment of the entire sector and the wider economy.
 - CAPA believes that over-regulation by weak institutions has been one of the most instrumental factors responsible for the current state of the industry.

- Airport capacity requirements have been seriously underestimated. Airport development requires a 20-30 year planning horizon, but the AAI has no capacity plan beyond 2017 – and this too is based on a theoretical assessment of current infrastructure. A detailed structural capacity review has not been conducted.
- Land scarcity will be a major challenge. Airports will be competing with other users of land, which will be increasingly expensive. This will be exacerbated by the Land Acquisition Bill.

Airport Capacity is likely to be constrained

- Airport projects may get pushed to the peripheries of cities, which will require significant investment in surface transportation links.

- New airport projects need to be developed within the context of a national Master Plan keeping viability in mind. A series of failed projects will deter future investment.

- CAPA estimates India will require investment of US\$40 billion in airports by 2025.
 - US\$20 billion for expansion of current metro airports and construction of second airports in Delhi, Mumbai, Bangalore and Chennai;
 - US\$20 billion for construction of greenfield airports at 35 non-metro cities;

The Role of Government

- Airline viability must be taken seriously – it is vital for the economy;
- **Fiscal Regime:** Remove the negative fiscal regime by classifying ATF as a declared good. Direct import of fuel is not practical. Central government could consider compensation to the States. A critical component of economic infrastructure in a US\$2 trillion economy is being held hostage to US\$700 million sales tax revenue.
- **Bilaterals:** Bilateral entitlements are a national asset, they should be granted to private carriers and not reserved for Air India. This will improve their aircraft utilisation and increase the Indian carrier share of international traffic.

The Role of Government

- **Considered Expansion:** Loss-making airlines should be prohibited from engaging in expansion with a tangible demonstration of funding. The mandate of the Importation of Aircraft Committee should be aligned with this.
- **Removal of Distortions:** Unnecessary intervention in commercial matters such as charging for seat allocation, baggage and wheelchairs should be stopped and left to competitive forces. Route dispersal guidelines, 5 year rule, regional airline policy should also be reviewed.
- **New Airlines:** Only well-capitalised projects with serious business plans and experienced management should be approved.

The Role of Airlines

- Airline also have to take responsibility for the current situation and need to take steps to ensure their future:
- **Risk management:** Greater focus must be given to effective risk management. The airline industry is subject to multiple internal and external factors for which there must be a robust mitigation plan.
- **Business Plan:** Due to the uncertainty in the short-term, business plans may need to be adjusted to take into account market conditions.

The Role of Airlines

- **Commercial Strategy:** Loss leader pricing can no longer be continued. It has destroyed the industry, the only winners in the short term have been passengers. Fares should be set to reflect and exceed costs. Profits, and not market share, ensure sustainability.
- **Ancillary Revenue:** There is a huge opportunity to leverage the ancillary revenue model. CAPA estimates potential to generate incremental US\$500 million through advertising / merchandising / baggage fees / change fees / seat allocation. This is standard practice globally, with airlines generating over US\$58 billion annually.
- **Gearing:** Airlines should avoid reliance on debt to fund operations and expansion.
- **Restructuring:** Full service airlines must restructure their cost base if they are to compete with LCC. Lower fares without lower costs will cause further harm.

Important and positive initiatives which the Ministry of Civil Aviation has recently implemented include:

Foreign direct investment: Allowing foreign airlines to invest up to 49% in Indian carriers, a long-awaited reform which should deliver game-changing benefits in the long term;

Direct fuel imports: Permitting airlines to directly import aviation turbine fuel to bypass sales taxation, which reflects a positive intent but it will be difficult to generate meaningful benefits in practice due to the logistics involved;

International traffic rights: Granting additional international rights to private Indian carriers after the former Minister had frozen all new entitlements in an effort to protect Air India. However, India needs a clear and transparent bilateral policy, developed after taking into account India's medium and long term strategic trade and tourism objectives.

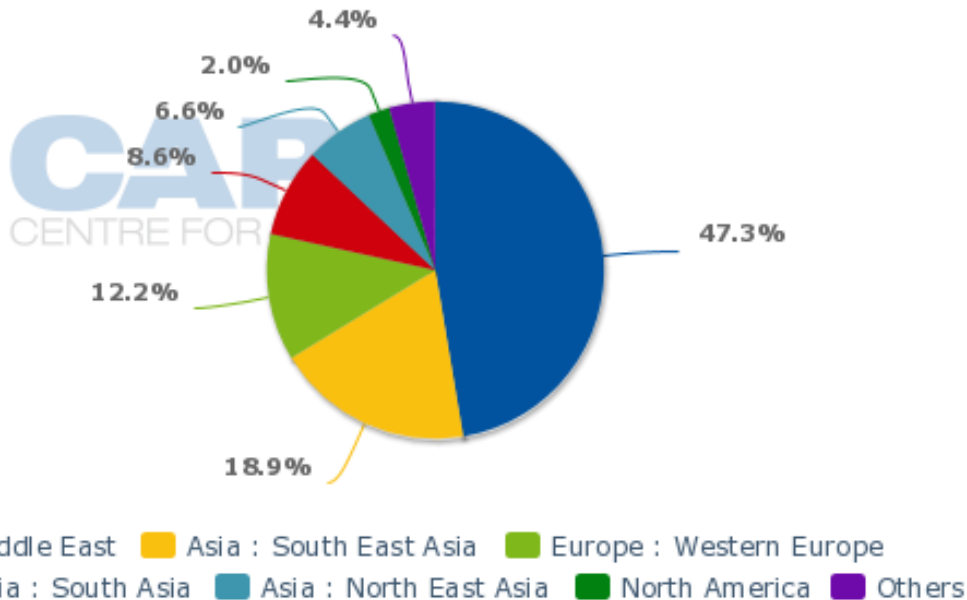
Other welcome initiatives which MOCA is pursuing include:

Notification of aviation turbine fuel: which will increase transparency of pricing for aviation turbine fuel;

5 year/20 aircraft rule: Abolishing the requirement for Indian carriers to operate for 5 years and have a minimum fleet size of 20 aircraft before being able to apply to operate international routes, a qualification which discriminated against Indian carriers relative to foreign airlines, which were not subject to these conditions.

The India – Middle East Aviation Market

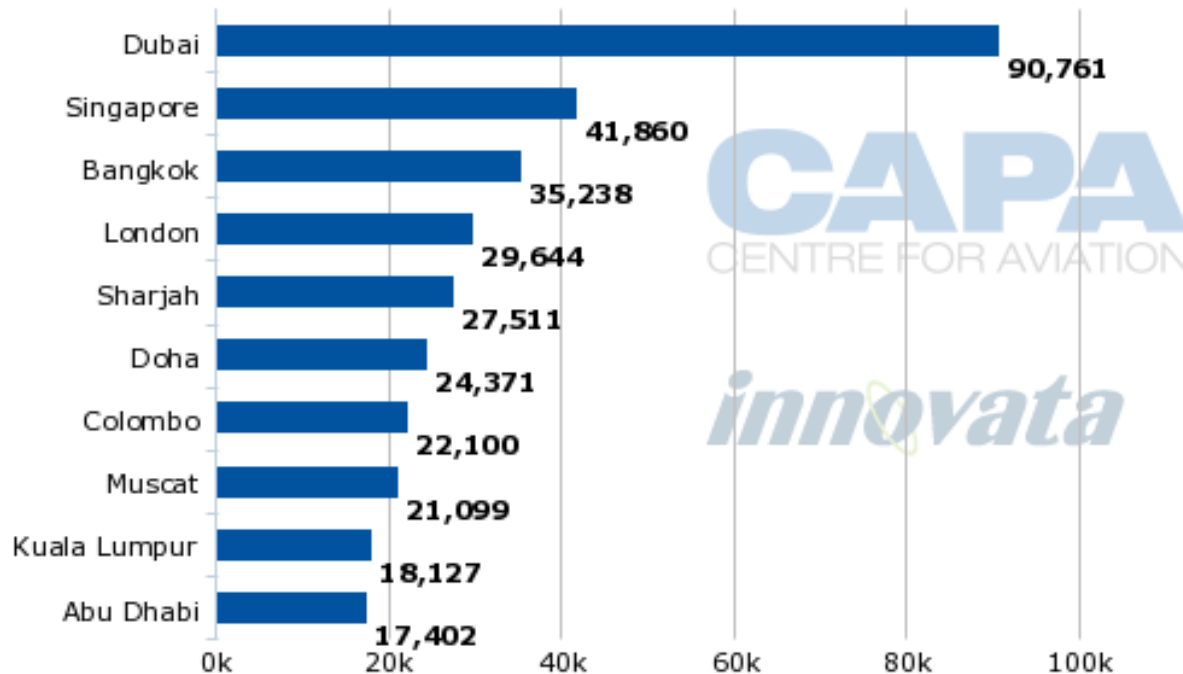
- The Middle East (dominated by the UAE) accounts for by far the largest share of international seats to/from India at 47.3%. Apart from services by Middle East carriers, the Middle East is the largest destination for every Indian carrier that operates overseas, accounting for at least 40% of seats in every case.



Destination	Share of Middle East
UAE	57%
Saudi Arabia	12%
Qatar	10%
Oman	9%
Kuwait	4%
Others	8%

Source: Dubai Department of Tourism & Commerce Marketing

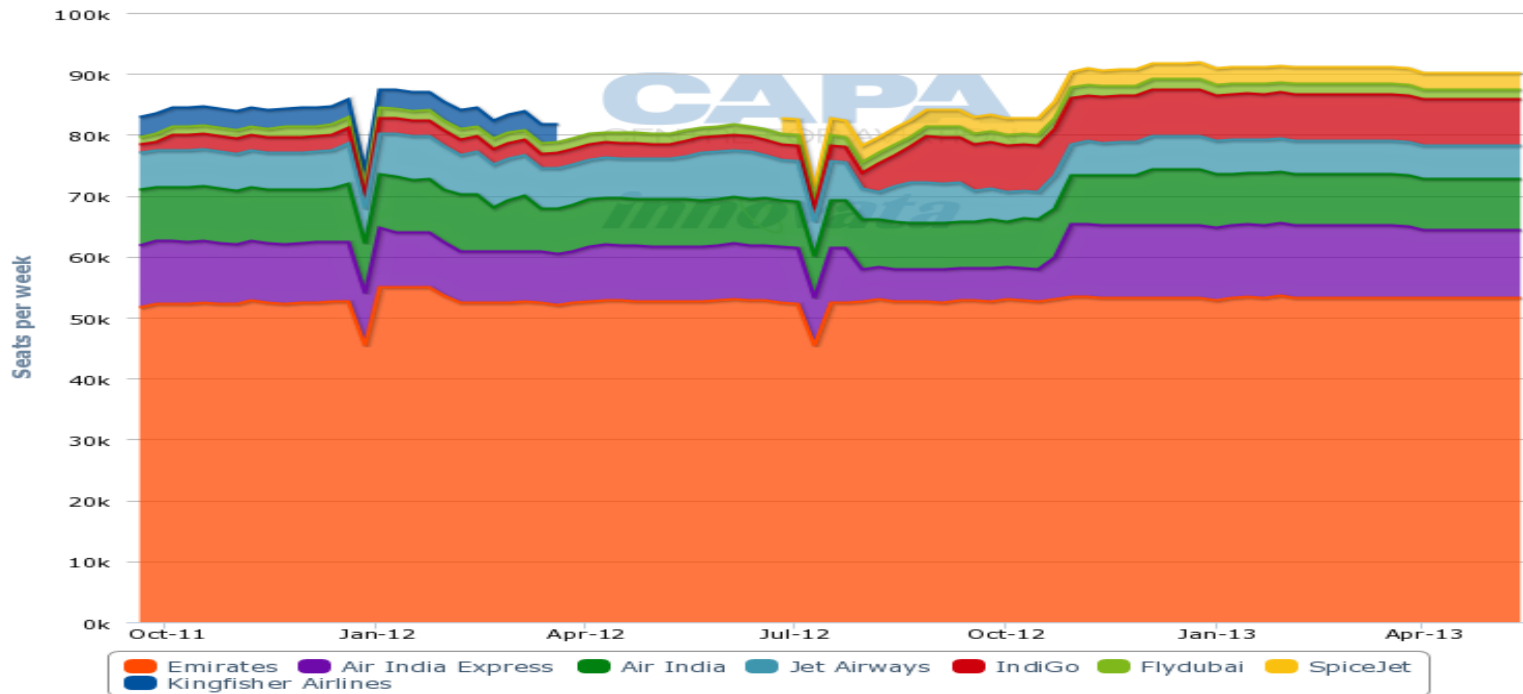
- Dubai is the largest single international destination ex India by some margin in terms of international seat capacity. Three UAE cities – Dubai, Abu Dhabi and Sharjah - appear in the top 10. The UAE accounts for just over 1 in every 4 international seats to/from India.



Source: Dubai Department of Tourism & Commerce Marketing

Emirates is the leading foreign carrier in India

- On the key India-Dubai axis there are 7 airlines competing, however Emirates is the dominant carrier accounting for close to 60% of capacity on the route. Emirates is in fact the largest foreign carrier operating to India, with 184 weekly services to 10 destinations, accounting for 10.4% of total international capacity.



Source: Dubai Department of Tourism & Commerce Marketing

Business & Trade

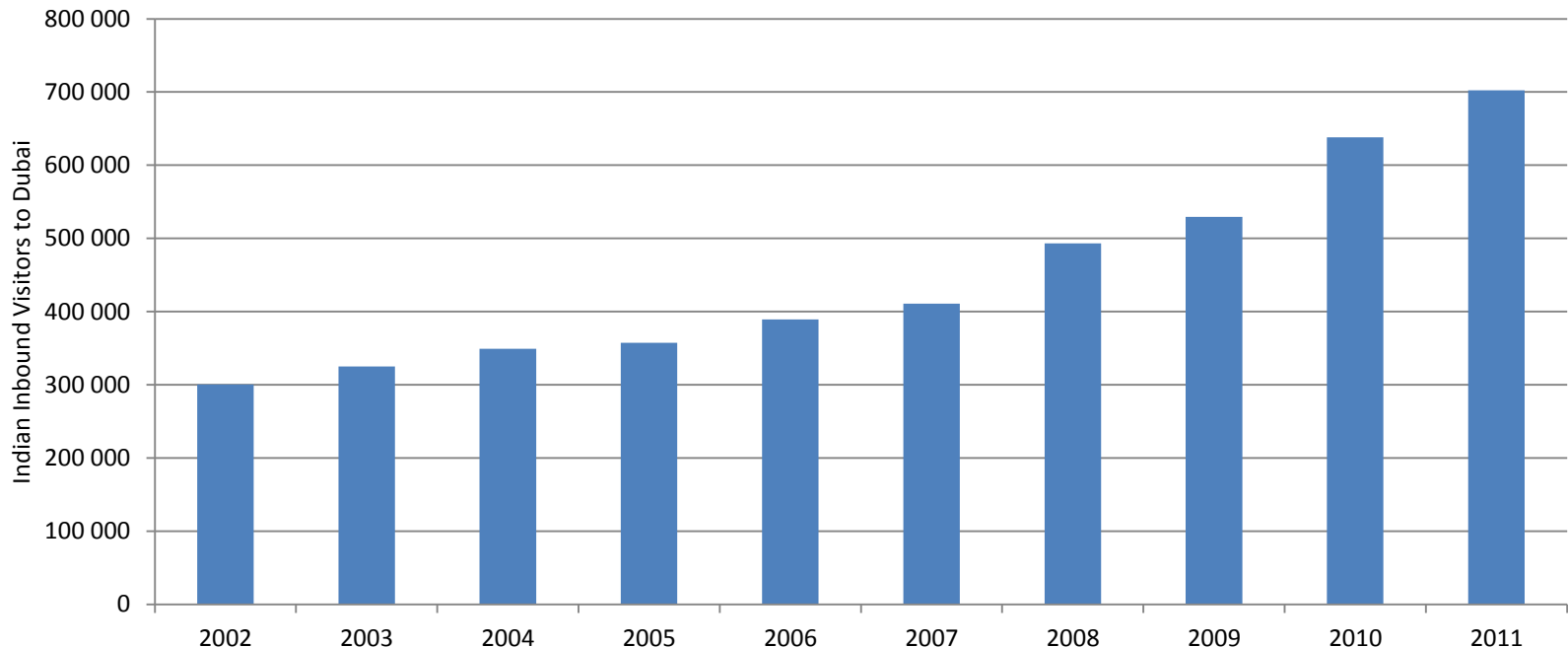
- Total Trade between India and the UAE approached US\$60 billion in 2011
 - India is the UAE's largest trading partner
 - UAE is India's largest trading partner

Indian Diaspora

- More than 5.5 million Indians (either non-resident Indians or persons of Indian origin) are estimated to reside in the Gulf, according to the Indian Ministry of Overseas Indians, with Saudi Arabia and the UAE having the largest populations. With the expansion of services by Indian LCCs to Dubai this growth trend is expected to continue.

Country	Overseas Indian Population
Saudi Arabia	1,789,000
UAE	1,702,000
Kuwait	579,000
Oman	500,000
Qatar	500,000
Bahrain	350,000
Yemen	111,000

- Inbound leisure tourism from India to Dubai – as measured by the number of visitors utilising hotels or apartment hotels during their stay - has grown at 12.5% per annum over the last 5 years. In 2011 Indian visitor numbers reached 702,000 when for the first time India overtook the UK as the largest inbound source market.



Source: Dubai Department of Tourism & Commerce Marketing

Drivers of Traffic: Sixth Freedom Transit

The main Gulf airports have much stronger international networks than India's primary gateways and have become de facto Indian hubs

	Airlines	Destinations	Domestic	Africa	Asia Pacific	Europe	Latin America	Middle East	North America
Abu Dhabi	39	91	4	8	39	18	0	19	3
Doha	30	103	0	13	37	26	1	22	4
Dubai	82	181	0	24	52	51	2	43	9
Delhi	52	93	41	3	21	12	0	13	3
Mumbai	45	86	42	5	14	8	0	16	1

Source: CAPA, Innovata as at 26 November 2012

Dubai expects to handle close to 100 million passengers by 2020, which will be greater than the international traffic handled all Indian airports combined.

Importance of Indian Traffic to Key Middle East Airports

Airport	Share of Weekly International Seats to/from India	Ranking of India by seat capacity amongst airport's international markets
Sharjah	32.7%	1 st
Dubai	11.7%	1 st
Abu Dhabi	9.3%	1 st
Muscat	21.5%	2 nd
Riyadh	11.3%	2 nd
Doha	8.4%	2 nd
Bahrain	10.5%	4 th
Kuwait	8.5%	4 th
Jeddah	6.2%	4 th

Source: CAPA, Innovata as at 26 November 2012

Top 10 Routes by Seat Capacity between India & Middle East

Middle East port	Indian port	Weekly Seats
Dubai	Mumbai	40,674
Dubai	Delhi	30,420
Dubai	Hyderabad	18,230
Dubai	Chennai	17,830
Dubai	Kochi	13,586
Sharjah	Kochi	11,536
Dubai	Kozhikode	11,252
Dubai	Bangalore	11,178
Muscat	Mumbai	9,742
Doha	Delhi	9,262

Source: CAPA, Innovata as at 26 November 2012

Airport Retail in India

- Prospects for duty free retail sales to Indian passengers (in India as well as overseas in key environments such as Middle East airports) are very strong:
 - Significant upside potential in terms of spend per pax;
 - The number of pax is growing rapidly;
 - The Indian consumer is becoming increasingly wealthy;
 - And Indians are avid shoppers, it is the favourite holiday activity.

US\$215 million

Estimated duty free turnover at Indian airports in FY11

US\$1.55 billion

CAPA forecast for duty free turnover at Indian airports in FY21 (similar to Dubai Airport today)

US\$3.5 billion

CAPA forecast for total retail (duty free and general) and food and beverage turnover at Indian airports in FY21

BUT perhaps even more challenging than the growth is to understand:

1. The Indian consumer is not homogenous – varies significantly by region, age, gender, income and travel experience;
2. Diversity is further complicated by change. Each individual consumer segment is evolving rapidly due to strong socio-economic influences.

Detailed understanding of the consumer must be central to planning, design and development of retail formats to India passengers.

US\$215 million

Estimated duty free turnover at Indian airports in FY11

US\$1.55 billion

CAPA forecast for duty free turnover at Indian airports in FY21 (similar to Dubai Airport today)

US\$3.5 billion

CAPA forecast for total retail (duty free and general) and food and beverage turnover at Indian airports in FY21

India – Opportunity or Competition for the Middle East?

Characteristic	Status	Indian Airports
Large Home Market	Strong	India has a potentially massive home market growing experiencing double digit rates of growth
Geographic Location	Strong	Well placed at the crossroads between Europe / Middle East / Africa and Asia Pacific – massive catchment within 5 hours
High Quality Airport Infrastructure – Ability to Achieve Short Transfers	Improving	World class facilities with the opening of Delhi T3, targeting 45 min transfer, room for expansion. Mumbai will soon have an excellent integrated terminal but growth is capped.
Attractive Stopover	Good Potential	India has an abundance of tourist attractions – depending on the airport there are significant opportunities to promote as a stopover.

Characteristic	Status	Indian Airports
Hub Carrier	Weak	No Indian carrier currently has an extensive route network and financial weakness is barrier to rapid growth
Regulatory Regime	Weak	No clear strategy on bilateral policy and market access
Visa Policy	Weak	Visa requirement, inefficient processing and confusion regarding transit visa requirement is not conducive to hub development
Stakeholder Coordination	Weak	Central government cannot support one hub over another; State governments have limited aviation experience and cannot be seen to promote private entity; airports and airlines have separate owners.
Operating Environment	Weak	Operations in India are subject to airspace and runway congestion, high taxation and uncertain policy framework.

India is an important opportunity for ME airports and retailers but can it also be a challenge

- India's relative neglect of its aviation sector prior to 2004 was a great boon to foreign carriers and offshore hubs such as Dubai and Singapore that found a ready market in India in the absence of strong Indian carriers and world class airports.
- India, with a similar geographic location as the Gulf and the added benefit of a large domestic market, could have become a global hub with appropriate vision, strategy, policies and investment.
- Instead it now finds itself trying to play catch-up against established, high quality competitors. There is a strong desire amongst India's airlines and airports to become leading international operators. But they are constrained by a challenging operating environment.

India is an important opportunity for ME airports and retailers but can it also be a challenge

- The Government of India has the ability to address a number of the hurdles and establish a supportive policy, regulatory and fiscal regime, but it requires the government to recognise strategic and economic benefits that can be realised from the establishment of a globally competitive aviation sector. At present this does not appear to be the case.
- By constraining its industry in this way, India is ceding the advantage to offshore operators, as in the Middle East.
- Indian aviation will continue to progress, its airports will improve, and its airlines will invest in longhaul aircraft to expand their global networks. But this is all likely to happen more slowly than it should. The Middle East aviation system has such a head-start and a cohesive vision and implementation plan that is unlikely to feel much competitive pressure from India at least in the next 5 years and possibly much longer.

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