



Aviation issues in India: letter from the Director General of IATA to the Minister of State for Civil Aviation of India, Shri Praful Patel

2 June 2009

Dear Minister Patel,

I was delighted to learn of your appointment as the Minister for Civil Aviation, in the new term of the government. My sincere congratulations -- both for the coalition's success in the general elections and for your re-appointment as India's Civil Aviation Minister.

Your appointment is an acknowledgement of the excellent results delivered during your earlier stint as Minister. Over the past five years, India's aviation landscape has been completely transformed – and all credit to you and your team for allowing private enterprise and free market competition to play its part in building Indian aviation. The new and modernized airports in Delhi, Mumbai, Bangalore, Hyderabad and others have started to transform the travel experience in India.

Nevertheless, a very challenging environment awaits you. The outlook has significantly deteriorated with airline revenues forecast to decline by 15% or \$80 billion in 2009. Net losses in 2009 are expected to be considerably higher than previous forecasts at \$4.7 billion. The Indian carriers too are undergoing extreme financial and operational stress.

A new term calls for a new set of challenges and milestones – and I would like to list six priorities that I believe would help give shape to an aggressive and positive agenda for continuing the transformation of Indian aviation:

Safety: Aviation safety should continue to be India's foremost priority. Recent international safety assessments have brought about an increased focus on safety and safety oversight in India – and I am pleased to note the positive actions taken by the Indian DGCA in recent months. I would propose that India mandate the IOSA (IATA Operational Safety Audit) as an additional testimony to its commitment to safety oversight.

Global leadership: India is not just a great market – it must also be a great leader. India has emerged as a critical driver of growth in the international aviation market – and must now play an active leadership role in shaping the international aviation agenda. Liberalization and climate change are just two of the areas where India could play a useful leadership role.

Airport development: While Delhi is moving towards the capability of handling 100 million passengers, Mumbai remains a critical bottleneck. Given the constraints at the current airport location, India must develop a new Mumbai airport which can adequately serve the financial capital of the world's second most populous nation. The breathing space provided by the current downturn must be used quickly to plan for capacity in the 100 million passenger range. The current economic slowdown is also an opportunity to restart the shelved non-metro airport development program – which can only serve to further develop the domestic Indian market and connectivity.

Aeronautical charges and taxes: The recent increases in aeronautical charges in India have been both disappointing and counter-productive. They did not take into account the current economic environment and are restraining the recovery of airlines, especially the Indian carriers. Malaysia reduced its airport charges by 50% this past March for a period of 2 years as its response to the economic environment. Singapore, China and Thailand have taken similarly positive steps on the aeronautical charges front. A quick one-off charges reduction across airports in India, followed by a longer term review by the AERA would be an excellent contribution by your Ministry to restoring the industry's financial health. Reduction of aviation taxes, in particular the high sales tax on ATF to which you have referred recently, is another critical change that can provide immediate relief to airlines and stimulate the economy.

Technology: There are various ongoing aviation industry initiatives which leverage technology to bring in efficiencies to the aviation value chain. IATA's Baggage-management Improvement program (BIP), which lowers baggage loss rates; Fast Travel, which has an impact on the passenger travel experience across various touch-points; and e-Freight for paperless freight have all been adopted early by many progressive airports, airlines and states. India should also use technology and such initiatives to leap-frog into a leadership role.

Airspace infrastructure capacity: Similar to the transformational program for airport infrastructure successfully accomplished under your watch, India now needs to renew its focus on building a next generation airspace infrastructure improvement. This should include redefining flow management and procedures.

In all of these areas, IATA would be pleased to work with you as you see appropriate. Please let me know whenever you believe we can be of any assistance.

I keenly look forward to my next India visit to meet you. And congratulations again!

Sincerely,

Giovanni Bisignani
Director General and CEO
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