



# INDIA'S SKIES OPEN UP

A virtual open skies policy, explosive growth in commercial fleets and robust aeronautic and space industries are creating new opportunities for business in India. Some Irish business is being done there, and there is potential for more, TOM SULLIVAN reports from Delhi.



PHOTOS FROM LEFT Previously with Ryanair, Warwick Brady and Andy Daines: now chief operating officer, and chief of engineering, with Air Deccan, India's 'no-frills' airline.



“THERE ARE FIRM ORDERS PLACED FOR 482 NEW AIRCRAFT. AIRLINES ARE ADDING BETWEEN FIVE AND SIX NEW PLANES PER MONTH.”

**KAPIL KAUL,**  
CHIEF EXECUTIVE OFFICER  
OF THE CENTRE FOR ASIA  
PACIFIC AVIATION.

**B**efore economic reforms were introduced in the early 1990s, only two airlines operated in India - both state-owned. After a decade of deregulation, just two more private carriers were operating scheduled flights. It was not until the arrival in 2003 of the first budget carrier, Air Deccan, headed by an ex-Ryanair staff member, and major deregulation of Indian aviation under the current government that the country's airline industry really took off, leading to an explosion in the numbers of people flying - from 14.5 million passengers in 2004 to 25 million today.

Since then five more private airlines - including one named after the country's biggest beer manufacturer, Kingfisher - have entered the fray bringing the number of airlines to 10. More are waiting in the wings.

“The country's commercial fleet size has gone from 175 planes to 275 in the last 18 months,” said Kapil Kaul, chief executive officer of the Centre for Asia Pacific Aviation (CAPA), an aviation consultancy in Delhi. “There are firm orders placed for 482 new aircraft. Airlines are adding between five and six new planes per month.”

Due to intense competition, increased consumer choice and high fuel and operating costs, all Indian airlines are making big losses and a consolidation of the industry is expected over the next year or two.

However, with the Indian economy growing at close to 10 per cent and an increasingly affluent 300 million-strong middle class, the potential for growth in air travel is phenomenal. According to current estimates, at least five million new passengers take to the skies each year. In the first half of 2006, domestic passenger numbers increased by 50 per cent.

#### SHORTAGES OF QUALIFIED ENGINEERS, MAINTENANCE FACILITIES

The growth in India's airline industry is ramping up demand for the full range of aviation services, ranging from maintenance, repair and overhaul (MRO) of engines and airframes to pilot and crew leasing, in-flight entertainment and other specialised services.

Gabriel McCarrick, who manages Enterprise Ireland's new office in Delhi, which opened last August, sees a fit between many of the skills shortages in Indian aviation and the services offered by Irish firms. “It is worth exploring opportunities in this market as it's expanding at a phenomenal pace,” he said. “Irish firms have strong capabilities in areas that are just opening up here such as maintenance, airport services including retail outlets, pilot training and so on.”

According to the Confederation of Indian Industry (CII) the Indian MRO industry will be worth US\$2 billion over the next five years.

“There's huge potential for tie-ups with foreign firms,” explained the CII deputy director Amitabh Khosla, adding that foreign participation is still low. “Human resources are certainly an issue, in particular the shortage of qualified engineers,” he said. “Most airlines are doing in-house maintenance apart from heavy checks, but we also need third party MRO facilities to meet the growth in the industry.”

Currently, all heavy aircraft checks are done outside India, mainly in other parts of Asia and in the Middle East, but full MRO services are expected to be available in India in the next two to three years.

Boeing has announced an initial investment of US\$100 million for an MRO facility in Nagpur in central India. ATR, the European joint venture formed by Alenia and EADS, has an order for 75 turboprops from Air Deccan, and Kingfisher plans to open a technical support centre in Bangalore. There are almost weekly announcements of MRO tie ups such as Singapore Airlines' subsidiary SIA Engineering's recent partnership with GoAir, one of the latest no-frills Indian airlines.

Air Deccan's chief operating officer, Warwick Brady, previously a deputy director of operations at Ryanair, believes that by 2008 there will be two or three heavy maintenance providers in India, most likely Sabena Technics and Lufthansa Technik, which recently made an aggressive entry into the Chinese MRO market. In the meantime, there is enormous potential for companies providing maintenance services to explore the market.

“We're certainly open to any assistance that can come from outside,” said Andy Daines, Air Deccan's chief of engineering who was also previously with Ryanair. “If outside companies can provide the expertise that we need then we can offer them an understanding of the Indian market in return. It can be very frustrating here for outside companies as you can't do aviation business here the way you would in Europe or the U.S.”

Air Deccan recently signed a ten year maintenance deal with Lufthansa Technik worth US\$150 million.

The country's largest carrier Jet Airways has the same approach. “As time is of the essence and this industry involves high

technology, the preferred approach is partnering with the best foreign expertise to fast track the process as well as to bring the skills," said the company's CEO Wolfgang Prock-Schauer, who spent 15 years with Austrian Airlines before joining the firm which has about a third of India's domestic market.

### PILOTS IN DEMAND

According to forecasts, India will need 8,000 new pilots by 2020. There is only one international standard flight school and a mere 100 Indian pilots qualify each year. To meet the demand, analysts say India would need to set up five to six world class flying schools, and a number of major firms including Boeing and Airbus are discussing tie ups with Indian flight schools.

In the meantime, airlines in India are using foreign pilots as well as engineers and technicians, many of them provided by Dublin-based Parc Aviation, which also transports leased planes to India.

India is seen as a competitive location for pilots due to attractive salaries and conditions, although long delays by Indian authorities in issuing work visas is causing problems, according to Parc Aviation's sales director, Sean Butler.

In the other direction, visa problems may also hinder Irish engineering companies from attracting contracts from India. Analysts in Delhi complain that pilots and engineers accompanying planes and engines for repairs in Ireland can run into major difficulties in obtaining work visas.

### OTHER AIRLINE SERVICES

While no-frills airlines such as Air Deccan, dubbed "Ryanair re-born" by Warwick Brady, have little use for in flight entertainment (IFE), some new airlines, most notably Kingfisher, are marketing their flights as a luxury experience for India's business community. This, says Kapil Kaul, is creating a growing market for service providers such as Inflight Dublin which provides in flight entertainment to Jet Airways.

"IFE is becoming big business. Both Kingfisher and Jet Airways are installing live television and adding other entertainment options," said Kaul.

While there are middle men operating at all levels of India's aviation and aerospace industry, Kaul recommends that companies should contact airlines directly to explore business opportunities.

"The market is very open for companies to come in. If companies want to work here then accreditation can be done through Indian clients or partners."

### AIRPORTS LONG OVERDUE MODERNISATION

Rapid growth in air travel in India has put tremendous pressures on India's outdated and crumbling airport infrastructure, and it is common for planes to circle major airports for an hour or more before being able to land. "The airports are absolutely appalling. There are next to no services and despite privatisation we've not seen any difference in Delhi whatsoever," said Brady. "But they are trying hard, and it will change."

Delhi and Mumbai airports, which experience the worst congestion, were recently privatised, paving the way for a US\$10 billion airport modernisation, which will include another 37 national airports.

Clare Brennan an Irish architect with the UK-based architectural firm Hellmuth, Obata & Kassabaum (HOK) contracted to design Delhi airport, sees some parallels with the new terminal in Dublin airport. "The existing buildings here have been operating way beyond capacity for a long time," she explained.

Delhi airport was designed for 7 million passengers per year but is currently handling more than 10 million. The new terminal, planned for 2010 to coincide with the Commonwealth Games in Delhi, will be able to accommodate 30 million passengers with extensive cargo and hangar space.

Expressions of interest went out at the end of August, but many construction companies have shied away from the contracts according to sources close to the development, citing difficulties with government regulations and traffic restrictions, which prevent trucks travelling across Delhi to the airport during daylight.

### AEROSPACE AND SPACE RESEARCH

Largely, due to the lack of infrastructure, general aviation has been long neglected in India. According to figures from the Centre for Asia Pacific Aviation, a mere 166 private and chartered aircraft are registered in the country. However, this figure is expected to rise to at least 500 by 2015.

India's new defence minister, A.K Anthony, nicknamed 'Mr Clean' was appointed to oversee multi-million dollar hardware orders, including air force contracts in the wake of a series of defence procurement scandals. One of his first declarations was to announce plans to

eradicate corrupt middle men from the industry and introduce more transparency to the country's US\$20 billion dollar defence industry.

Dublin-based Acra Control has already established a large customer base among Indian aerospace companies both in civilian and military aviation. The firm provides test equipment to the National Aerospace Laboratory, which is developing India's indigenous aerospace industry and most notably small turboprop passenger planes with up to 19 seats. It also works with Hindustan Aeronautics Ltd, the state-owned defence contractor.

With two to three space launches planned each year for the next five years India's space programme also offers significant opportunities, particularly for European Space Agency (ESA) qualified companies. "The number of satellite launches is increasing and so will the demand for specialised components," said Shri S. Krishnamurthy, a spokesman for the Indian Space Research Organisation (ISRO) which has a budget of close to US\$800 million, much of it earmarked for telecommunications and remote sensing satellites.

ISRO issues regular tenders for components through its space applications centres and works through agents such as Mumbai-based Radiosound, which have distributed components for Irish firms.

Bipin Desai, director of Radiosound, believes that Irish firms are well placed to expand their sales in the Indian space research market.

"ESA experience is a real 'feather in their caps'," he said. "Getting into this market requires just two things: a proven product used in a similar space programme and a good price. We can take care of the rest." **M**

### PROMOTIONAL PLATFORMS

The biggest civil and military aviation event in the Indian calendar is Aero India, which takes place in Bangalore on 7-11 February 2007.

Inter Airport India is more focused on airport development and takes place in Delhi on 21-23 February 2007.

Also worth noting is the Aviation and Tourism Investors' Summit 2007 in Mumbai from 2 to 3 April 2007.



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