



Country: INDIA

AIRPORT INFRASTRUCTURE

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Summary

Of the 454 airports and airstrips in India, 16 are designated international airports. Currently 97 airports are owned and operated by the Airports Authority of India (AAI). India's Civil Aviation Ministry aims to have 500 operational airports in the next 12 years. The Government of India (GOI) intends to attract private investment to build aviation infrastructure.

The Mumbai and Delhi airports have already been privatized and they are being upgraded with an estimated investment of US\$ 4 billion between 2006-16. Greenfield airports are already operational in Bangalore and Hyderabad, built by private consortia with a total investment of over US\$ 800 million.

The GOI is planning a second greenfield airport at Navi Mumbai. The GOI plans to develop it, using the public-private partnership (PPP) model at an estimated cost of US\$ 2.5 billion. The GOI is also planning to upgrade 35 other city airports. These development initiatives will be undertaken through the PPP model with an investment of US\$ 357 million over the next three years.

Over the next five years, AAI also has plans for a massive investment of US\$ 3.07 billion - 43 per cent of which will be for the three metro airports in Kolkata, Chennai and Trivandrum, and the rest will go into upgrading other non-metro airports and modernizing the existing aeronautical facilities. These projections, combined with growing passenger & cargo traffic, points to GOI's commitment to build & augment India's aviation infrastructure.

Market Overview

The GOI has recently launched a program to modernize and expand the country's airport infrastructure. The government plans to spend US\$9 billion to develop airport infrastructure between now and 2012. These funds will be spent to: increase capacity at existing airports, upgrade metro and non-metro airports and develop new greenfield airports.

As per the Investment Commission of India, the aviation sector is likely witness exponential growth in the coming years, through 2012, attracting huge investment. Investment opportunities will total US\$ 110 billion by 2020, with US\$ 80 billion in new aircraft and US\$ 30 billion in the development of airport infrastructure. This investment projection is based on passenger traffic growing at a compound annual growth rate of over 15 per cent in the next 5 years. The Vision 2020 statement announced by the Ministry of Civil Aviation envisages creating infrastructure to handle 280 million passengers by 2020.

Associated areas, like maintenance repair and overhaul (MRO) and training, offer high investment potential. A report by Ernst & Young says the MRO category in the aviation sector can absorb up to US\$ 120 billion worth of investments by 2020. Air cargo traffic is estimated to grow at over 11.4 per cent over the next 5 years to exceed 2.8 million tons by 2010.

Market Demand

India has four metro airports—Delhi, Mumbai, Kolkata and Chennai. The Delhi and Mumbai airports were privatized in 2006. For instance, the Delhi airport project is being developed by a consortium comprising of India's GMR Group and Germany's Fraport AG, with AAI retaining a 26% stake and Mumbai by a consortium comprising India's GVK and the Airports Company of South Africa, with AAI retaining a 26% stake. These consortia have further plans for the modernization of these facilities. GOI has plans to modernize the airports in Kolkata and Chennai as well.

Thirty-five non-metro airports are also slated for expansion and modernization for completion by 2010-2011. The AAI has decided to retain control of the airside of the projects and develop the airports' city-side areas through PPP. At present, bids are being invited from five short-listed consultants to assist in the selection of joint-venture partners for city-side development. Greenfield airports in Hyderabad and Bangalore are also being developed through PPP. Three Greenfield airports in India's northeast are considered priorities.

The bidding process and selection of a joint-venture partner for the Navi Mumbai greenfield airport is expected to be completed next year. A cargo and passenger hub is also planned for Nagpur in the state of Maharashtra. Other proposals for Greenfield airports from state governments include:

- MOPA - Goa
- Chankan/Rajguru, Pune
- Kannur, Kerala
- Hassan & Gulbarga, Karnataka
- Halwara, Punjab

Opportunities exist for specialized consulting, project management, engineering, EPC, airport operations, cargo facilities and warehousing, and foreign investment in airport and aviation.

Market Data

Airport projects in India

Near	Type	Location	Approx Cost	Structure	Expected start date	Main parties involved
Mumbai	Modernization	Existing	USD 1.2 billion	PPP	Ongoing, Major exp 2013-14	GVK,ACSA,Bid Services, AAI
New Delhi	Modernization	Existing	USD 105 million	PPP	Major exp March 2010	GMR ,Fraport, AAI ,MAPL
Hyderabad	Greenfield	Shamsabad	USD 480 million	BOOT PPP	Apr 2008	GMR /MAHB,AAI , AP Govt
Chennai	Modernization	Existing	TBD	TBD	TBD	TBD
Bangalore	Greenfield	Devanahalli	USD 400 million	BOOT PPP	Apr 2008	Siemens,L&T,Unique Zurich, AAI,KSSIDC

Nagpur	Greenfield	Near Nagpur	USD 200 million	TBD	TBD	TBD
Mumbai	Greenfield	Navi Mumbai	USD 840 million	TBD	Proposed	TBD
Chennai	Greenfield	Sriperumbedur	TBD	TBD	Proposed	TBD
Kolkata	Modernization	TBD	TBD	Public	Proposed	AAI
New Delhi	Greenfield	Noida	TBD	TBD	Proposed	Proposed

TBD: To be determined

Key Players

International players/airport operators such as Changi Airport, Hochtief, Aeroports De Paris, Fraport AG, TAV Investment Construction Corp, Airports Company of South Africa, Malaysia Airport and Flughafen Munchen of Munich are some of the names involved in developing Indian airport projects. Also Indian companies that are demonstrating the capacity to build and manage airports operations would include: GVK, GMR, and L&T.

Market Entry

Government policy: The Government of India has been proactive in enabling regulations and introducing policy initiatives. Significant among these are easing out Foreign Direct Investment (FDI) regulations in airports and airlines - tax exemption for airport development projects and allowing domestic private airlines to fly on international routes. The current aviation policy of the GOI includes 100 percent FDI in many cases and 100 percent tax exemption for a period of 10 years. Many other policies supporting the infrastructure are now in place.

For greenfield airports, FDI up to 100 per cent is permitted through automatic approvals. For existing airports, FDI up to 74 per cent is permitted through automatic approvals and up to 100 per cent through special permission (from GOI). Private developers are allowed to set up captive airstrips and general airports 150 km away from an existing airport.

Contracting: BOOT (Build-Own-Operate-Transfer) or BOT (Build-Own-Transfer): This is a model wherein a private entity receives a franchise from the public sector to finance, design, construct, and operate a facility for a specified period, after which ownership is transferred back to the public sector. During the time that the project proponent operates the facility, it is allowed to charge facility users appropriate tolls, fees, rentals, and charges stated in their contract to enable the project proponent to recover its investment and operating and maintenance expenses in the project.

This model has been successful for large scale infrastructure public projects which cannot be contracted or funded by traditional methods where gestation periods are long or projects are large. The BOOT model is being deployed for the Hyderabad and Bangalore greenfield projects.

PPP is a system in which a government service or private business venture is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3. Judging from past experience of difficulties in funding large scale projects in India, the PPP model has been very successful and thereby finds itself being applied to many projects for aviation infrastructure. This model has also many references of implementation in the UK and Australia.

Market Issues & Obstacles

Land Acquisition: Airport developments require the acquisition of land both for greenfield as well as modernization. This area has a strong interface with political maneuvering and management and is the toughest area in terms of uncertainty in the airport project progress. Historically in India, even if project promoters are aware of issues involved and adequate steps in stakeholder management are taken, projects run into rough weather. Therefore these issues should be addressed at the control stage rather than just the planning stage. This is particularly so because compensation for land acquisition is not the only issue as other factors creep in, frequently fuelled by political and social engineering.

Trade Events

Airport and Airline expo 2009, August 3-5, 2009, New Delhi <http://www.biztradeshows.com/airport-airline-expo/>
Aero India-2009, Feb 11-15, 2009, Bangalore, <http://www.aeroindia.in/>

Resources & Contacts

Airports Authority of India
www.airportsindia.org.in/aai/main.htm
Ministry of Civil Aviation
<http://civilaviation.nic.in>
Indian companies active in this sector: GMR (<http://www.gmrgroup.co.in/>); GVK (<http://www.gvk.com/>);
L&T. (<http://www.lntec.com/home.htm>) and Reliance Infrastructure (<http://www.rinfra.com/>)

For More Information

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website: www.buyusa.gov/india.

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