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1. What are the current growth trends in the Civil Aviation sector in terms othe Supply-Demand equation and industry profitability goals?

Calendar 2010 was a year of recovery for the aviation industry. Led by a strong rebound in business and leisure long-haul travel, particularly in emerging BRIC markets, international traffic grew by 8.8 per cent. The International Civil Aviation Organization forecast which highlighted the robust recovery during 2010 anticipates worldwide air traffic growth to continue well into 2011 and 2012 at 4.7% and 4.9% respectively.

Economic growth and increased spending power have resulted in impressive international traffic growth and a robust domestic market. Most of the air-carriers across the world have seen strong rebound in demand since the pre-economic downturn level, bringing promises of improved profitability and renewed growth – particularly to and within fast developing economies such as India, which is likely to surpass the 50 million passengers per year mark in 2011.

According to a December report from aviation consulting firm Centre for Asia Pacific Aviation (CAPA), international traffic to India is expected to grow at 10-12% in fiscal 2011. The key challenge going forward will be to balance this burgeoning demand with capacity discipline, to ensure that yields are maintained. Operating full aircraft doesn't necessarily mean you are operating profitable aircraft!

With respect to the India-US market, there is still a lot of untapped demand from both ends of the route for both business and leisure travel. In many ways non-stop operations such as American's are a good barometer of US-India relations. What we see now is increasing business travel demand from both ends of the route as economic ties continue to strengthen, particularly on the back of President Obama's recent visit. Interestingly some of the greatest surge in demand comes from SMEs, particularly US based companies that are looking to expand their footprint into developing economies such as India. The role AmCham plays in helping encourage trade and commerce cannot be understated.

2. How do you see the civil aviation policy in India support and encourage the foreign carriers existing or entering the Indian airspace?

India is an increasingly important player in aviation industry, and has a key role to play in shaping global policies and standards. Broadly speaking Indian civil aviation policy is pro-business and pro-growth, which is a good thing. The Open Skies agreement between India and USA is an excellent example of this, and is critical in stimulating a robust and competitive market environment.

On the other hand, we also need to ensure that civil aviation policy in India is supportive to foreign carriers from an infrastructure and cost perspective. We have seen huge leaps in infrastructure development recently, for example IGI Terminal 3 in New Delhi, and continued investment in Air Traffic Management technology. However more still needs to be done, especially for cargo operators which are hampered by weaker infrastructure.

It is important to ensure there is an equitable balance between key stakeholders. In this regard, the government has a key role to play in supporting the recovery and sustainable growth of our industry. Taxation of consumers and air travel service providers needs to be managed very carefully to ensure demand is not dampened.

Similarly, the government has a duty to support airlines by encouraging competition between aviation service providers (e.g. Ground Handlers), and ensuring there is robust pricing regulation for de facto monopoly providers such as, Air Traffic Control and Airport Authorities. While we recognize that new infrastructure needs to be paid for, it is important that pricing structures are arrived in a fair way which considers the interests of all stakeholders.

Striking these kinds of balance is never easy, and it is important to emphasize that the government has taken giant strides in fostering and encouraging the growth of civil aviation over recent years.

3. Air travel Industry felt the impact of the global economic downturn. Passenger Air traffic declined in India by about 2%.How did it effect the global aviation industry?

4. How do you see the air traffic growth poised for the next five years globally?

The worst economic recession in 80 years saw revenues drop by $81 billion and losses of almost $10 billion in 2009. Today there is some cautious optimism. Global traffic is back to pre-recession levels with load factors nearing 80% and the bottom line is improving. Asia-Pacific is powering the upturn with $2.2 billion in profit. North American carriers will move into the black at $1.9 billion. But not all regions will recover equally.

IATA in December upgraded its forecast for airline industry profits in response to a strong cyclical upswing in revenues and much better utilization of capacity by airlines. Its forecast for net post-tax profits in 2010 has been raised to US$15.1 billion, up from our previous forecast of US$8.9 billion. Better economic conditions, despite the European crisis, have supported stronger market growth and better aircraft utilization has driven a sharp upswing in profitability in all regions. Operating margins are now expected to exceed 5% this year, not as good as the late-1990s but better than the previous cycle peak in 2007.

Emerging markets such as India look set to continue to grow strongly, but a weak Europe is expected to make the business environment for airlines more challenging than it was in 2010. With a stronger 2010 the starting point for industry profits is higher than expected than previously forecast.

Margins look set to be squeezed to some extent in 2011 by stable yields on the one side and rising fuel prices on the other side. Higher oil prices, stable yields and weak traffic volumes originating from certain developed economies, particularly in Europe, will cause some slippage in airline profits next year. Geographic differences will remain. Stronger growth in the emerging markets will support stronger performance from airlines based in those regions.

The aviation sector in India looks likely to boom in the coming years, attracting huge investments. Passenger traffic is projected to grow at a compound annual growth rate of about 15% 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. Air cargo traffic is expected to grow at over 10% per annum over the next 5 years. Investment opportunities of US$ 110 billion are envisaged up to 2020 with US$ 80 billion on new aircraft.

Associated areas like maintenance, repair and overhaul (MRO) and training offer high potential. A report by Ernst and Young says the MRO category in aviation sector can absorb upto US$ 120 billion worth of investment by 2020. The projected aviation growth provides great challenges and opportunities to the aviation community. As air travel demand continues to grow, there will be increasing pressure to ensure that training and infrastructure is fully prepared to keep up.

5. What is the way forward in overcoming the impediments to the growth of Civil Aviation in India?

The Indian civil aviation market is growing at a phenomenal rate. Such growth would have been hard to achieve and sustain in the absence of government support and adequate policy measures. Further, to continue this growth rate there is a need for an improvement in infrastructure. Today, the aviation infrastructure in the country has received a boost with the final approval for the second airport in Mumbai, opening of IGI Terminal 3 in New Delhi, and refurbishment of Mumbai, Bangalore and Hyderabad airports.

India has the potential to be a global aviation crossroads, and the investment made in new facilities in the metros shows clearly the degree of belief in this. The key challenge is to ensure that India's airports are able to operate to the same degree of efficiency as other global hubs such as Dubai and Singapore. This requires not only investment in infrastructure, but also a completely new approach to training and processes. Great progress is already being made, but there remains much to do.

Going further, these improvements need to be further backed by development of aviation infrastructure in feeder tier-II and III cities which are the emerging sources for new travellers in India. These cities have huge potential because they are populous and their residents have increasingly disposable incomes and the desire to travel. Development of infrastructure in these key cities and states will pave the way for the next phase of aviation growth in the future.

While the airline industry is renowned for being highly capital intensive, it is also an intensely human business. New terminals and runways are only part of the story.