



Monthly Newsletter

December 2013

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INDIRA GANDHI
INTERNATIONAL AIRPORT



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INTERNATIONAL AIRPORT



Chhatrapati Shivaji
INTERNATIONAL AIRPORT
MUMBAI



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Disclaimer: The information contained in this newsletter has been collected from news/articles appeared in various newspapers and other publications and also collected from respective airport operators. APAO makes no warranties as to the accuracy or authenticity or completeness of the information.

ABBREVIATIONS

| | |
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| AAI | Airports Authority of India |
| AERA | Airports Economic Regulatory Authority of India |
| ATF | Aviation Turbine Fuel |
| BIAL | Bangalore International Airport Limited |
| CIAL | Cochin International Airport Limited |
| CPL | Commercial Pilot License |
| CSIA | Chhatrapati Shivaji International Airport, Mumbai |
| DGCA | Directorate General of Civil Aviation |
| DIAL | Delhi International Airport Limited |
| DRDO | Defence Research and Development Organisation |
| GHIAL | GMR Hyderabad International Airport Limited |
| IATA | International Air Transport Association |
| ICAO | International Civil Aviation Organisation |
| IGIA | Indira Gandhi International Airport, New Delhi |
| MIAL | Mumbai International Airport Limited |
| MoCA | Ministry of Civil Aviation |
| MRO | Maintenance Repair Overhaul |
| PPP | Public-Private Partnership |
| RGIA | Rajiv Gandhi International Airport, Hyderabad |
| FAA | Federal Aviation Authority |

1. AVIATION SECTOR¹

1. The new integrated terminal building at Dabolim international airport, Goa was unveiled on 3rd December, expanding the capacity of the state's airport. The terminal building is an integrated facility handling both domestic and international operations. The terminal building is constructed at a cost of Rs. 345 crore and can handle peak hour passenger traffic of 2,750 at a time. The new airport building is likely to go in for full-fledged operations by December 19.
2. DGCA has tweaked the rule for extended diversion time operations (EDTO) of turbo-propeller planes operated by scheduled airlines in the country. As per the new rules, the threshold operation time for such planes has been kept at 60 minutes and operations beyond that would be considered EDTO. As per the new guidelines for operating such planes, airlines would need prior approval from the DGCA for operating such aircrafts beyond a flight time of 60 minutes. The approval category for EDTO has been kept at three levels - 75/90 minutes, between 75/90 minutes to 120 minutes and between 120 minutes to 180 minutes. The regulation changes would mean that airlines would need to get the approvals in place from the DGCA for the routes where flight time exceeds 60 minutes on their turbo-propeller operated destinations. Approvals for the first level or 75/90 minutes of extended diversion time operations will be based on factors like proposed areas of operation, the operator's ability to successfully bring aircrafts into operation and the quality of the maintenance programme. Operators must also submit details of enroute airports for flights beyond 60 minutes on the turbo-propeller aircraft.
3. The Supreme Court on 6th December said it was open to quashing the Jet-Etihad Airways deal if there are any irregularities in it. The apex court also issued notice to Centre and Income Tax Department on a plea seeking direction to the government to place the transcript of tapped telephonic conversation of former corporate lobbyist Niira Radia in which she allegedly had talked about the civil aviation sector. The court passed the order on BJP leader Subramanian Swamy's plea seeking its direction to quash the deal on the ground that it was against public interest as there has been squandering of natural resource i.e. the sky and air space.
4. The Karnataka High Court, on 6th December, admitted the petition filed by a consortium of 14 banks, led by State Bank of India, seeking winding up of Kingfisher Airlines Ltd. The court, however, postponed the process of issuance of public notice about winding up process while adjourning further hearing to the second week of January, 2014. The order was passed after Kingfisher Airlines was unable to demonstrate any concrete progress made in the attempt to revive the company by holding talks with prospective investors.
5. AAI has reported a marginal decrease of around 2% in profit before tax (PBT) at Rs 1,337 crore in the financial year ended March 31, 2013. AAI attributed the decrease in profit to higher operating expenses due to increase in security costs, significant investments made in development of infrastructure, non-revision of tariffs at airports and loss of business from closure of Kingfisher Airlines. For the fiscal year FY13, revenues grew by 17.7% to Rs 6,917 crore as compared to Rs 5,879 crore registered in the previous fiscal. AAI invested Rs 1,800 crore in infrastructure development in 2012-13 as against Rs 2,095 crore in FY12. The authority paid Rs 147 crore in dividend to the government.

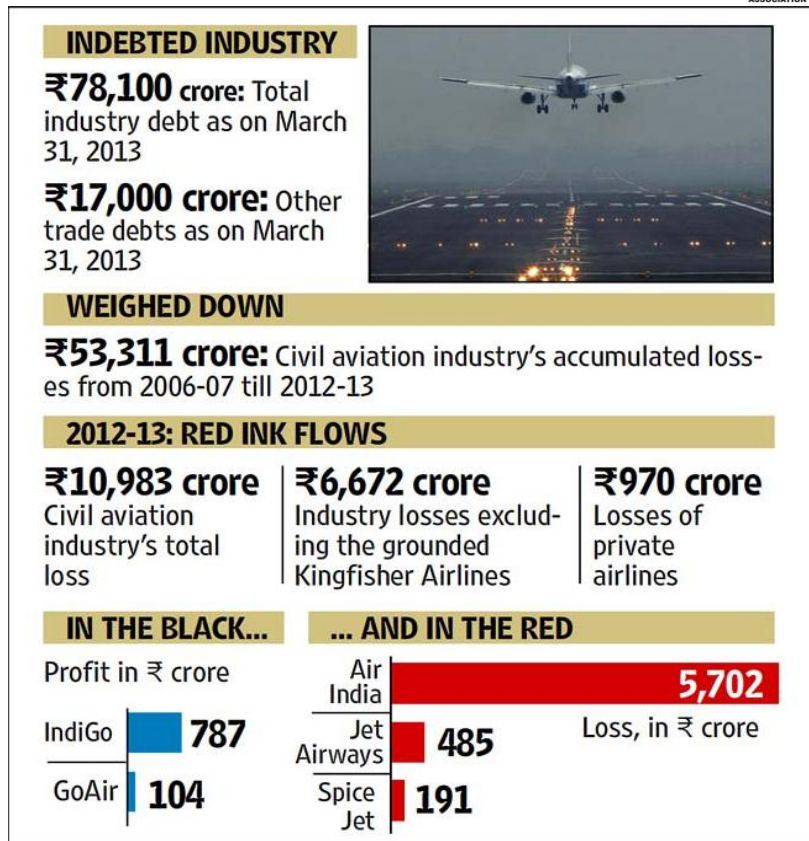
¹ Newspaper Clippings

6. Karnataka State Road Transport Corporation (KSRTC) will sign a memorandum of understanding with Jet Airways, which will see the latter offer Flybus tickets, inclusive of air tickets, on all Bangalore-bound Jet flights. The move is part of KSRTC's plan to extend Flybus services to Mangalore, Kodagu and Coimbatore in April. The proposal for tying up with the airline, the first of its kind, comes after a survey was done to gauge the number of flight users from these places and only after it was found that there is a considerable number of fliers that KSRTC decided to go ahead. Currently, KSRTC is providing a Flybus service from Mysore to Bangalore International Airport. The present bus which is a customised Volvo with GPS fitted provides live display of flight timings besides in bus toilet and pantry service. There are also TV screens inside the bus and wi-fi facility.
7. Minister of State for Civil Aviation, Shri K. C. Venugopal informed Rajya Sabha on 10th December that a modification package has been prepared for the Boeing 787 Dreamliner aircraft. Air India is constantly in contact with Boeing on the issue of Technical Reliability of the Dreamliner fleet. The Boeing technical team has been involved in root cause analysis and in evolving the remedial measures. Accordingly, a reliability enhancement modification package consisting of upgrades to aircraft software and components has been prepared. A Boeing team has arrived to check at Air India Mumbai facility to undertake these modifications. The modification is being sequentially carried out on each of the Dreamliner aircraft during a 10-day maintenance grounding with effect from 1st December, 2013.
8. Minister of State for Civil Aviation, Shri K. C. Venugopal informed Rajya Sabha on 10th December that the Government has constantly been responding to changing scenario and undertaking sector-specific measures to facilitate and enable growth of the civil aviation sector. Government has taken several measures to revive the aviation industry and ensure long term viability of the sector. These measures include:
 - (i) The issue of rationalization of VAT on ATF has been taken up with the state governments;
 - (ii) Director General of Foreign Trade has allowed direct import of ATF by airlines on actual user basis;
 - (iii) Foreign airlines have been allowed to invest in the equity of domestic carriers up to 49 per cent;
 - (iv) ECB up to \$ USD 1 billion has been permitted for the airlines to meet their working capital requirement; and
 - (v) Government has laid down Civil Aviation Authority Bill in Parliament.
9. Minister of State for Civil Aviation, Shri K. C. Venugopal informed Rajya Sabha on 10th December that AAI has a proposal to operationalise Raxaul Airport in Bihar. Raxaul Airport in Bihar belongs to AAI and is presently non-operational. Considering the proximity of Raxaul Airport to Nepal and the Policy Initiative of Government of India to improve the Regional and Remote Area Air connectivity, AAI had undertaken a pre-feasibility study at Raxaul Airport and a master plan for operationalisation of ATR-72-500 type of aircraft has been prepared for development of the airport. A draft Master Plan indicating the land requirements (121 acres) and the developmental activities, such as re-aligning of highway along the railway track, enabling services like power, water supply and construction of four-lane road to provide connectivity to the airport has already been taken up with the State Government for needful action.

10. According to IATA Airline Industry Forecast 2013-2017, the global air passenger traffic levels are expected to jump 31% in just five years, at a compound annual growth rate of 5.4%. This marks an acceleration from the previous five-year period, during which traffic increased 4.3% per year. Of the new passengers, approximately 292m will be carried on international routes and 638m on domestic routes. The emerging economies of the Middle East and Asia Pacific will see the strongest international passenger growth, with annual growth rates of 6.3% and 5.7% respectively. Routes to, from or within China will be the single largest driver of growth, accounting for 24% of new passengers during the forecast period. The Asia Pacific region as a whole (including China) is expected to add around 300m additional passengers by 2017, 75% of which are expected to be domestic passengers. Despite Asia's rise, the US will continue to be the world's biggest domestic aviation market, handling 677.8m internal passengers in 2017, although this marks a growth rate of just 2.2% per year. China will be second, with 487.9m domestic passengers in 2017. In terms of international traffic, several Asian countries are expected to see strong growth, including Kazakhstan (9.0% annual growth), China (7.1%), Vietnam (6.9%) and Pakistan (6.7%).

International air freight volumes are expected to grow 17% during 2013-2017, expanding at a five-year 3.2% compound annual growth rate (CAGR). The largest (US) and the third largest (China) air freight markets in 2012 are likely to add more than one million additional tonnes each over the forecast period. As a result, China will supplant Germany as the second largest air freight market in 2017. Hong Kong and the United Arab Emirates will both contribute more than 700,000 tonnes each to the additional freight volume during the five year period until 2017. The estimated imbalance in annual freight traffic flows from Asia to North America is expected to reach 1.1 million tonnes in 2017. By 2017, the five largest international freight markets will be the United States, China Germany, Hong Kong and the UAE. Freight carriage within the Asia-Pacific region will account for around 31% of the expected total increase in freight tonnage over the period. The largest freight traffic shares in 2012 were within Asia Pacific (25.3%), Europe-Asia Pacific (12.1%), North and Mid-Pacific (10.5%) and North Atlantic (10.1%). Looking ahead to 2017, within Asia Pacific is expected to increase its share by around one percentage point to 26.2%, with smaller gains (of around 0.3 percentage points) in both North America-Latin America (to 6.6%) and Middle East-Asia Pacific (to 6.5%). Traffic shares within Europe and in the North Atlantic are both expected to decrease by around 0.6 percentage points, to 8.3% and 9.5% respectively. Europe-Asia Pacific and North and Mid-Pacific are both expected to be down by around 0.3 percentage points in 2017 compared with 2012.

11. According to CAPA report, Indian carriers made a loss of Rs. 10,983 crore in 2012-13. CAPA said "Both Jet and SpiceJet may be headed for large full-year losses for 2013-14 before accounting for one-off adjustments such as sale and leaseback and other non operating income and benefits". The spiralling cost of aviation turbine fuel, economic slow-down, devaluation of the rupee, low returns, high operational costs and the consequent widening gap between revenue and expenditure are some of the factors that have contributed to the financial crisis of airline companies.



Source: Centre for Asia Pacific Aviation; ministry of civil aviation; industry

12. Minister of State for Civil Aviation, Shri K. C. Venugopal informed the Lok Sabha on 12th December that India is second fastest growing country in air traffic after China. There has been a consistent increase in air traffic during the last three years except in the year 2012. The details of passenger carried by scheduled domestic carrier and corresponding growth during the last three years and current year are as follows:

| Year (in millions) | Passenger carried | %Growth |
|-----------------------|-------------------|---------|
| 2010 | 52.00 | +18.70 |
| 2011 | 60.70 | +16.60 |
| 2012 | 58.80 | -03.04 |
| 2013 | 50.70 | +04.77 |

The 2013 data is for period between January and October. The percentage of growth has been analysed with the number of passengers carried by the airlines during the year and the number of passengers carried out by the airlines during the corresponding period of the previous year. The rise in air traffic growth is very significant when compared to the top ten countries of the world in civil aviation. To further this growth the Government has been pursuing with the State Governments to reduce VAT on ATF. The Government has also allowed direct import of ATF by Indian carriers as actual users, tax concession for parts of aircraft and testing equipment for third party maintenance and repair and overhaul of civil aircraft to promote civil aviation.

13. Minister of State for Civil Aviation, Shri K. C. Venugopal informed the Lok Sabha on 12th December that the Civil Aviation Ministry has entrusted the task of conducting a study to

examine the issue of regional air connectivity and the steps required for promoting such connectivity to M/s Deloitte Touche Tohmatsu India Pvt. Ltd. The consultant has submitted its report to the Ministry. Some of the important recommendations/suggestions made by the consultants include:

- i. Revision of Route Dispersal Guidelines;
- ii. Creation of a Regional Air Connectivity Fund (RACF) to promote regional and remote air connectivity;
- iii. Reduction of VAT on ATF and
- iv. Reclassification of ATF as Declared Good.

14. Minister of State for Civil Aviation, Shri K. C. Venugopal informed the Lok Sabha on 12th December that the Parliamentary Standing Committee on Transport, Tourism and Culture in its 203rd Report has recommended that AAI may be permitted to manage and operate all its airports including the loss-making ones with a rider that there should be time-bound delivery of world class passenger services in a more efficient and transparent manner, matching with those being rendered by private airport operators. AAI has invested Rs. 2015 crores and Rs. 2470 crores for the development and modernisation of Chennai and Kolkata airports respectively.

15. Minister of State for Civil Aviation, Shri K. C. Venugopal informed the Lok Sabha on 12th December that ground lighting facility has been installed at Tuticorin Airport in Tamil Nadu for night operations. Tuticorin Airport is suitable for operations of ATR-42/72 type of aircraft in fair weather conditions. Further, the development of infrastructure at this airport is subject to physical handing over of additional land measuring 586 acres free of cost and free from all encumbrances by the State Government to AAI.

16. MoCA has disagreed with a proposal of the Prime Minister's Office to explore raising the cap on the number of weekly flights from Qatar in exchange for discounts on additional supplies of liquefied natural gas (LNG) from there. Qatar has nearly exhausted the entitled capacity, while Indian carriers are utilising only around 6,000 seats a week. The Qatar government has been asking for an expansion of weekly capacity to 72,600 seats, against the available 24,800, to create a hub for West-bound international traffic out of India. Most international traffic out of India flies West via the hub in Dubai. While Emirates has entitlements to fly out 54,000 seats a week, the Indian government recently allowed a staggered increase of capacity to UAE (Abu Dhabi) to 50,000 seats a week by 2015.

17. AirAsia India has received permission from MoCA to import aircraft. The airline has been allowed to import 10 aircraft over the next year. This includes the three aircraft that came with the no-objection certificate AirAsia India received in September. The import permission is required before the DGCA can issue an air operator's permit. DGCA officials will also evaluate AirAsia's training facilities in Malaysia later this month.

18. Star Alliance on 13th December unanimously decided to lift the earlier suspension of the process for Air India entry into the grouping. The Alliance had put the proposal for Air India's entry into the grouping on hold since July 2011 on the grounds that the airline had not fulfilled major conditions to join it. Once the airline becomes a member, its passengers would enjoy major benefits, including seamless transfers on travel across the world, more frequent flyer mileage points, code-sharing leading to a wider choice of flights and access to over 1,000 lounges at airports worldwide. The Star Alliance network offers 21,900 daily flights to

1,328 airports in 195 countries. Its 28 members include top airlines like Lufthansa, Singapore Airlines, Air Canada, Air China, Air New Zealand, ANA, South African Airways, Austrian, THAI, Turkish Airlines, United Airlines and US Airways.

19. The Minister of State for Civil Aviation, Shri K.C. Venugopal informed the Rajya Sabha on 17th December that the Government has granted "in principle" approval for the setting up of the following Greenfield airports across the country: Mopa in Goa, Navi Mumbai, Shirdi and Sindhudurg in Maharashtra, Bijapur, Gulbarga, Hasan and Shimoga in Karnataka, Kannur and Aranmula in Kerala, Durgapur in West Bengal, Dabra in Madhya Pradesh, Pakyong in Sikkim, Karaikal in Pudducherry and Kushinagar in Uttar Pradesh. The Government has a vision to establish low-cost small airports which may include existing airports also for providing connectivity to the tier-II and tier-III cities in the country including in the state of Jharkhand.
20. The Minister of State for Civil Aviation, Shri K.C. Venugopal informed the Rajya Sabha on 17th December that the Government of Maharashtra is in the process of issuing Request for Qualification (RFQ) for the selection of Concessionaire regarding construction of Navi Mumbai International Airport. Necessary clearances from Ministry of Defence, Ministry of Environment & Forest etc. have been obtained. Bombay High Court has permitted the clearance of mangroves in the airport area. A high level meeting of Chief Minister of Maharashtra and representatives of the airport project affected persons was held on 11th November, 2013 wherein the land acquisition model as well as Relief & Rehabilitation Policy was discussed and the same was agreed to. Besides, Prime Minister has also taken a meeting on 13th November, 2013 with all the stakeholders for removal of the bottlenecks with respect to speedy implementation of the Navi Mumbai airport project.
21. Minister of State for Civil Aviation KC Venugopal informed Rajya Sabha on 17th December that the government has begun consultations with DGCA on relaxing the eligibility criteria for allowing Indian carriers to fly abroad. As per the prevailing norms, an Indian carrier can qualify to operate international services only after it has flown domestically for five years and has 20 aircraft.
22. DGCA, after a study conducted by IATA, has concluded that allowing the foreign airlines to operate Airbus 380 aircraft would not distort the Indian market. DGCA has submitted the report to MoCA.
23. Competition Appellate Tribunal on 19th December sought replies from CCI, Jet Airways and Etihad Airways on an appeal alleging that the CCI's approval to the deal between the two aviation companies was based on an "incomplete assessment of facts and market conditions" The appeal, filed by former Executive Director of Air India Jitender Bhargava, challenging an October 14 order of the CCI granting approval to the Rs 2,058-crore deal, as per which Abu-Dhabi-based Etihad agreed to buy a 24% stake in Jet. The deal was also approved by the FIPB on 29th July, albeit, with certain riders. The petition claims the approval was "bad in law and fraught with inconsistencies". The petition accuses CCI of granting approval without seeking essential details from the companies and without undertaking a detailed investigation of the share-sale, even when the deal is likely to result in a post-combination market share of over 50%. The petition states "The CCI failed to effectively carry out the Appreciable Adverse Effect on Competition (AAEC) assessment in accordance with the provisions of the (Competition) Act and in doing so, in its impugned order, placed all air passengers and indeed the entire airline industry into a grave risk of suffering irreparable damage and permanently

eliminating competition”. It also says that if the proposed deal is permitted in its present form, passengers are likely to be deprived of airline choices on key routes and will have to fork out higher prices as they will be left with fewer options in timings and service quality. The petition has sought a stay on the CCI order and has highlighted that the failure to grant the same will lead to a condition where other airlines will be “foreclosed” from competing effectively in certain markets, which will erode their profitability, causing them to exit from the industry.

CCI on 19th December imposed a penalty of Rs 1 crore on Etihad Airways under Section 43 of the Competition Act for completing actions that are part of the deal even before the regulator could approve the proposed transaction.

24. DGCA has allowed Air India to continue flying its Boeing 787 Dreamliner on the New Delhi – Tokyo route.
25. Guwahati’s Lokpriya Gopinath Bordoloi International Airport (LGBIA) is set to introduce a uniform user development fee (UDF) for both domestic and international flights from January 1. The move is aimed at attracting direct international flights. The airport will be the first in the country to have a uniform UDF for both domestic and international flights. The Guwahati airport currently charges R233 as passenger service tax per person for its domestic services. Under the new rate, the airport will charge Rs 295 as UDF to both its international and domestic passengers. AAI has also announced plans to build another runway at the Guwahati airport at a cost of Rs 500 crore.
26. MoCA on 20th December approved the draft Request for Qualification (RFQ) document for the Navi Mumbai airport sent by CIDCO. CIDCO can now go ahead and complete the final formalities before issuing the RFQ and hosting pre-qualification meetings with interested bidders. RFQ is a pre-bid process of the government which narrows down the interested bidders according to various criteria. The RFQ for the Navi Mumbai airport is expected to be issued by CIDCO in early January. The project cost as per the RFQ is Rs 9,990 crore for the first phase to build an airport with a capacity to handle 10 million passengers per annum. The Navi Mumbai airport project will be developed on 2,268 hectares of land of which the aeronautical area has been kept at 1,160 hectares. The remaining land can be used by the private developer for commercial development. The project will be developed on a PPP model with the private developer set to hold 74% equity stake in the project while the remaining 26% stake will be equally divided between AAI and Maharashtra government via CIDCO.
27. Ministry of Tourism has sought the visa-on-arrival facility to be extended to about dozen more countries including South Korea, Germany, France and Russia to boost foreign tourist arrivals in the country. South Korea has got the nod and an announcement to this effect is likely to be made early. Currently, there are total 11 countries which have been given the visa-on-arrival facility. As a facilitative measure to attract more foreign tourists to India, government had launched a scheme of visa-on-arrival from January 2010 for citizens of five countries - Finland, Japan, Luxembourg, New Zealand and Singapore - visiting India for tourism purposes. The scheme was extended to six more countries including Cambodia, Indonesia, Vietnam, the Philippines, Laos and Myanmar in January 2011.

28. AAI has been granted accreditation by ICAO for facilities to enhance airport safety. AAI received the ICAO's Trainair Plus accreditation certificate and membership plaque from ICAO, following an inspection of its Fire Training Centre (FTC) in October. With this membership, the FTC would have access to global sourcing of training packages which are in line with ICAO's efforts to "improve safety and efficiency of air transport through establishment, maintenance and monitoring of high standards of training and competency of aviation personnel in a cost-effective manner".
29. AAI's board of directors has approved an investment of approx. Rs 200 crore in the Kannur international airport promoted by the Kerala Government. AAI will have a 26% equity participation in the Kannur international airport and a private bank would lend around Rs 200 crore to the project at a 'highly competitive rate'. The Rs 1,800-crore Kannur airport, the fourth international airport in Kerala, would be functional in 2016. Coorg and Mysore in Karnataka and Kannur and Kozhikode districts in Kerala will be among the catchment areas of the airport. The Kerala Government is providing 1,200 acres of land, of the 2,000 acres required for the project. Of this, 800 acres will form part of the Government's equity stake in KIAL. Central and State public-sector companies are expected to have 23% equity participation.
30. The West Bengal Government is planning to introduce helicopter services to various tourist destinations across the State from Kolkata soon. Pawan Hans helicopters will introduce the service from Kolkata to Shantiniketan on December 28, Kolkata to Gangasagar on December 29, Kolkata to Durgapur on December 30 and Kolkata to Malda and Balurghat on January 1. The helicopter service is aimed at creating tourism opportunities and providing a faster connectivity.
31. DGCA on 25th December issued a notice on flier's rights on case of flight delays, cancellations, boarding denials and other grievances. DGCA issued a list comprising telephone numbers of airlines and web links of rules from where air passengers can claim a refund. According to the rules, if a passenger is denied boarding, the airline is liable to pay compensation up to Rs 4,000 (for flights with a journey time of 2 hours) in addition to the full ticket refund. The same rule applies for passengers facing a last minute cancellation unless the airline accommodates them in another flight. For flight delays, the compensation ranges from Rs 2000 to Rs 40000, depending on the distance of the journey. The notice also stated that every domestic carrier has a nodal officer to address fliers' grievances.
32. DGCA on 27th December issued a circular asking chopper pilots to stop operations in bad weather if they felt the need to do so, without bothering about the consequences of their decision.
33. Tata Group and Singapore Airlines (SIA) on 26th December applied for a No-Objection Certificate (NOC) to MoCA. With the application for NOC, Tata-SIA proposal has reached second stage. Once received, the process will reach its final stage and the company will have to apply to DGCA for Air Operator's Permit.
34. Bengal Aerotropolis Projects (BAPL) on 30th December introduced helicopter services between Kolkata and Durgapur from the Kazi Nazrul Islam Airport, Durgapur. BAPL now expects to obtain the final approval from DGCA to launch commercial passenger airline operations. Once that happens, BAPL the country's first aerotropolis project will also become

the first operational private greenfield airport among 21 such other projects in the country. BAPL has teamed up with the state transport department in its pioneering initiative of promoting regional and remote area air connectivity in the state and has an alliance with the Pawan Hans. Through this coalition, BAPL would provide the required facilities and Infrastructure to Pawan Hans like terminal building for passengers, landing & parking facility at the airport, fire fighting arrangements, medical facilities etc. as well as Bharat Petroleum's refueling facility at the airport. Pawan Hans in turn would be responsible for providing helicopters and small fixed wing aircraft with its experienced crew etc. to serve the sector.

35. DGCA has sought up to six months' time from the FAA to resolve concerns that the regulator had raised in its audits conducted in September and December. The FAA had flagged the lack of full-time flight operations inspectors, inadequate training of DGCA staff. The FAA would give its final report on the December audit to the DGCA in mid-January. If downgraded, Indian airlines will not be able to increase flights to the US, and additional checks will be imposed on the existing flights of Air India and Jet Airways. The DGCA has not been able to recruit full-time Flight Operations Inspectors (FOIs) due to its inability to pay them market salaries. FOIs are former pilots, who are typically paid an annual compensation as high as Rs 1 crore. Government rules do not permit salaries of this magnitude, which is why FOIs are being hired on contract with official sanction. The issue of pay would be resolved once the Civil Aviation Authority is formed. The proposed authority would have powers of determining salaries.

ATF PRICES

1. Jet fuel prices on 1st January were hiked by over 2.7%, the second increase in rates in one month. ATF price at Delhi was hiked by Rs 2,036.59 per kilolitre, or 2.74%, to Rs 76,241.33 per kl. The increase follows a marginal Rs 597.48 per kl or 0.8% hike in rates effected from December 1. ATF prices had touched a life time high of Rs 77,089.42 per kl in October following five consecutive increases since June as rupee depreciated against the US dollar, making oil imports costlier. However, the rupee's appreciating thereafter helped trim cost, leading to a steep 4.5% cut in prices in November. However, rates have been increased in subsequent month as rupee value has dipped marginally. In Mumbai, jet fuel costs Rs 78,783.83 per kl from today as against Rs 76,658.27 per kl previously.

2. AIRPORTS

2.1 Bangalore International Airport Pvt. Ltd.¹

1. BIAL in December took the airport experience to the city of Bangalore, leveraging technology to present a preview of the T1A to citizens. Bangaloreans experienced a first-of-its-kind and a unique preview of the airport with its new features, services and facilities. All this through vehicles fitted with state-of-the-art Glasstrons and photoboxi that traveled across the city to experience and share a truly inclusive partnership between the city and the airport. In 2010 BIAL had launched the ‘Smile Bengaluru’ initiative, to gather from citizens what they wanted at their airport. As a culmination of the campaign, this experience is designed to ensure that Bangaloreans get to see their airport before the world arrives. The virtual tour provides a two-minute window into what’s new at the airport, as well as the ideas that have been incorporated. It gives an opportunity to travellers and non-travellers alike a glimpse of the airport.
2. Bengaluru International Airport in December changed its name to Kempegowda International Airport, Bengaluru at a ceremony that also saw the inauguration of its Terminal which has been elevated in design, exteriors, facilities and infrastructure. The event was presided over by Chief Minister of Karnataka Shri Siddaramaiah and the Chief Guest was Hon’ble Union Minister of Civil Aviation Shri Ajit Singh. Other dignitaries from the state as well as the center graced the occasion and over 2000 people attended. As the founding father of the city and an icon for citizens, Kempegowda laid the stage for the development of the entire region. Kempegowda planned and build the city of Bangalore and is noted for his societal reforms and contribution in building temples and water reservoirs in Bangalore. The airport’s new name honors the founding father of the city.

2.2 Cochin International Airport Pvt. Ltd.²

1. CIAL has won the prestigious EPC Award for its excellence in Airport Infrastructure at the 4th EPC World Awards held in New Delhi on 14th December 2013. EPC World Awards is an effective platform to recognize the qualitative & quantitative performance, innovation and strategic initiatives of the companies, individuals & projects in the field of Infrastructure & Construction.
2. CIAL has bagged the prestigious 17th Kerala State Energy Conservation Awards 2013 in the category of ‘Buildings’ – under the nomenclature ‘Best performance Award’. The award is instituted by the Govt. of Kerala and CIAL was chosen as an appreciation for its ‘noble and concerted effort towards energy conservation in the State of Kerala’. The energy conservation measures taken into consideration were the installation of 100 kWp solar PV (photo voltaic) plant, Replacement of existing air conditioning chillers with the latest imported state of the art Energy efficient chillers, Installation of Variable Frequency Drive (VFD) for all major AHUs (air handling units), Innovative restructuring of pumps and piping circuits for increasing overall plant efficiency, Installation of Variable Refrigerant Flow (VRF) units, Installation of Light pipes and transparent sheets at Duty Free Godown to use natural lighting and maximum use of day light in place of electricity usage esp. in Security Lounge areas.

¹ Information provided by BIAL

² CIAL Website

2.3 Delhi International Airport Pvt. Ltd.¹

1. IGIA Terminal 3 has become the first airport terminal in the world to have successfully registered with United Nations Framework Convention on Climate Change (UNFCCC) as Clean Development Mechanism (CDM) project for its emission reduction initiatives. T3 has adopted various energy efficient measures thereby reducing greenhouse gas emissions of 16,413 tons of CO₂ annually into the atmosphere. These measures include energy efficient initiatives for Heating, Ventilation and Air Conditioning (HVAC), improved roof insulation, radar sensor based escalators, and travelators and a tempered cooling system. The project made use of the approved CDM methodology AMS II.E (Energy efficiency and fuel switching measures for buildings) for calculating the emission reduction potential.

CDM is one of the flexibility mechanisms defined under Kyoto Protocol, which provides market based measures to reduce the greenhouse gas emissions. UNFCCC is an international environmental treaty that was announced at the United Nations Conference on Environment and Development (UNCED) (informally known as the Earth Summit) in Rio de Janeiro in June 1992. The objective of this treaty is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. ‘Energy Efficiency’ is one of the core objectives of the ‘National Action Plan on Climate Change’ of India and which T3 of IGIA has successfully addressed. This achievement enlightens and brings a road map for other airports worldwide to practice green infrastructures and energy efficient initiatives to combat Climate Change issues. CDM Project results in reduction of total energy consumption and thus results in saving of the fossil fuels and its associated greenhouse gas emissions. IGIA T3 is also one of the first and the largest LEED Gold certified Green Building in the world.

2.4 GMR Hyderabad International Airport Pvt. Ltd.²

1. RGIA has been awarded the ‘Sword of Honour’ in recognition of its effective implementation of Occupational Health & Safety Management Systems from the British Safety Council for health and safety works at the airport. RGIA is the first Indian airport to receive this honour in the world. The ‘Sword of Honour’, considered to be the Oscar of the Safety World, is a highly acclaimed universal recognition. The organisations, which have achieved 5-star certifications in the British Safety Council’s audit programme for the period between August 1, 2012 and July 31, 2013, are eligible to apply for the ‘Sword of Honour’. Once certified, the business establishments from across the world vie for this prestigious tag by presenting a strong testimony of their best practices in health and safety. An independent adjudication panel subsequently evaluates these performances.
2. RGIA is facilitating the connecting flights between SpiceJet and Tigerair which have signed a three-year interline agreement to pave the way for greater connectivity between flights operated by both carriers. RGIA will be the first Indian airport to facilitate the connecting flights. The airport will provide a free porter service to facilitate the collection and transfer of checked-in baggage for passengers travelling on connecting flights between the two airlines. From 6th January 2014, customers travelling on SpiceJet’s domestic network from 14 Indian cities can enjoy seamless connection through RGIA onto Tigerair’s Singapore-bound flights. The 14 Indian cities are Ahmedabad, Bhopal, Chennai, Kolkata, Coimbatore, Delhi, Goa,

¹ DIAL Website

² Information provided by GHIAL



Indore, Mangalore, Madurai, Pune, Bengaluru, Tirupati, and Visakhapatnam (Vizag). This is a part of the Fly via Hyderabad campaign by GHIAL which is ongoing in 14 catchment cities.

3. AIRLINES¹

1. Air Costa has added two new routes to the existing five destinations from 10th December 2013. The Vijayawada-based airline will now fly Chennai-Hyderabad, Hyderabad-Jaipur, Jaipur-Hyderabad and Hyderabad-Chennai. Currently, it operates flights covering five cities -- Vijayawada, Chennai, Jaipur, Ahmedabad and Bangalore.

3.1 Air India (AI)

1. AI is planning to raise up to \$840 million by way of sale of its 7 Boeing 787-8 Dreamliner planes, which it will lease back, to pay off the bridge loans taken against these aircraft. Sale-leaseback is an arrangement in which an owner sells an asset to a leasing firm and, at the same time, leases it back (as a lessee) on a long-term basis to retain exclusive possession and use.
2. Air India on 26th December received approval from CCEA to sell five Boeing 777-200 LR (Long Range) aircraft to Etihad Airways. The planes will be sold for Rs 2,135 crore, which works out to Rs 427 crore per plane. The price at which the planes will sell is a mere one third of Rs 1,400 crore spent on purchasing each. The money would be utilised by AI to partly pay off its huge debt and liabilities of over Rs 20,000 crore. The deliveries of these aircraft to Etihad are likely to start around March-April 2014. Etihad has already announced plans to deploy them on long-haul routes like Abu Dhabi-Los Angeles from June 2014. Each of these planes would be re-fitted in a three-class configuration consistent with Etihad's fleet. The purchase comes as Etihad finalises a new fleet order to meet its organic growth and expansion requirements till 2025. The Boeing 777-200 LRs have a design range of 17,370 km that could allow Etihad to connect almost any city in the world from its Abu Dhabi hub.
3. AI will recommence daily morning flights between Vadodara and New Delhi from January 8.
4. AI has waived handling charges on the arms and ammunition carried by shooters travelling for competition in both its domestic and international flights.

3.2 Jet Airways

1. Jet Airways has entered into a partnership with renowned Greek natural and wellness brand KORRES, for a new amenity kit to enhance in flight experience of First Class and Première guests - onboard its international flights. KORRES products are made from natural and / or certified organic ingredients of the highest quality, aesthetically packaged, with a promise to 'inspire and make us happy'. The Jet Airways amenity kit will contain the KORRES Bergamot body mist, an Earl Grey tea scented facial mist with its unique uplifting and energizing qualities, and a KORRES Shea Butter Lip Balm that offers a high level of hydration. Additionally, the kit contains a KORRES Basil Lemon hand and body lotion that provides an exceptionally silky texture. The exclusive First Class amenity kit contains a luxurious variety of formulated products to keep guests refreshed, relaxed and recharged throughout their journey. The amenities for men are complemented by a finely tailored black matte leather pouch with gold trimmings, while the amenities for women come inside a luxury micro fiber chic silver pouch that has an elegant look and feel. The Première amenity kit is

¹ Newspaper Clippings

unisex and contains a lip balm, body mist, hand and body lotion all put together and packed inside a soft pouch made of textured fabric. KORRES products are developed using natural ingredients and use skin friendly elements.

2. Jet Airways will introduce two daily flights from Kochi and Chennai to Dammam in Saudi Arabia from 15th January 2014. The Chennai flight will be operated via Abu Dhabi to Dammam, the Kochi-Dammam will be served by a daily direct flight. The airline will now offer six non-stop flights to Saudi Arabia, with more one-stop options. With these new flights, Jet Airways will operate over 50 daily flights to multiple destinations in the Gulf. The airlines will also connect Mangalore with New Delhi from January 15.
3. Jet Airways has entered into a fresh aircraft leasing arrangement with Turkish Airlines for its Airbus 330-200 wide bodied jets. Jet will lease out three of its idle A330s to the Turkish carrier for six years.
4. Jet Airways on 24th December launched its mobile application on Apple's iOS to enable customers a seamless travel experience. The application is available for free download from the App Store and is compatible with iOS 6 version and above. The app has been specially optimised for iPhone 5. The app leverages the iOS platform's improved touch friendly design, making it an efficient tool for travellers to access their travel information on the go. It also offers a convenient booking and secure payment process allowing credit card transactions accompanied by the ability to save and access booked itineraries using the Passbook app. Other features of the application include real time flight status check with the option to search using flight number, airport or route, registration for receiving real time flight status notification among others.

3.3 SpiceJet

1. SpiceJet on 16th December signed a three-year interline agreement with Tiger Airways, Singapore's largest budget airline. SpiceJet and Tigerair will now be able to seamlessly transfer their passengers between India and Singapore via the Hyderabad airport. Interline agreements help airlines sell tickets of partner airlines but unlike codeshare agreements where the flights use flight codes of both airlines, in an interline agreement the flight code of only the operating airline is used. The interline agreement is operative from January 6, 2014.

3.4 IndiGo

1. IndiGo on 5th December announced a tie-up with Expedia Affiliate Network (EAN), which will enable its customers book their hotels across the country and overseas through the carrier's website with ease. EAN's platform provides the airline with a targeted inventory from its global database of almost 1.60 lakh hotels to ensure its customers can find the most relevant hotels in their chosen destinations. The partnership will also help the airline boost its ancillary revenue. The solution also gives travellers a competitive price, smooth navigation and instant confirmation on hotel deals across India and abroad. The airline had earlier tied up with Carzonrent to offer cab booking services to its customers.
2. IndiGo on 16th December announced its plans to launch 10 new flights on its domestic network by 22nd December. The carrier will operate its fifth daily non-stop flight between Chennai and Hyderabad, fourth daily non-stop flight between Chennai and Kolkata and daily

non-stop flight from Hyderabad to Chennai and Goa. IndiGo will also connect Chennai with Goa (via Hyderabad). The airline would also operate its ninth daily non-stop flight between Delhi and Bangalore and third daily non-stop flight between Delhi and Goa, starting December 22.

3.5 GoAir

1. GoAir is evaluating plans to lease planes over the next two to three years to retain its market share. The airline currently has 17 Airbus A320 planes and will add three more aircraft by July 2014.

INTERNATIONAL AIRLINES

1. Etihad Airways on 16th December announced plans to further expand its services to India with the launch of daily flights to Jaipur. The new flights, which will commence on April 1, bring the total number of Indian cities served by Etihad Airways to 10, with existing routes including Ahmedabad, Bangalore, Chennai, Hyderabad, Kochi, Kozhikode, Mumbai, New Delhi and Trivandrum. Etihad Airways also has doubled the number of flights and tripled the number of seats it operates to the Indian cities of Mumbai and New Delhi from Abu Dhabi, adding wide-bodied Airbus jets on both routes. In addition to Mumbai and New Delhi, Etihad will double its scheduled flights from 7 to 14 times per week to Kochi in June 2014, to Bangalore and Chennai in July 2014 and to Hyderabad in October 2014.
2. Malindo Air on 18th December announced its plan to launch daily, direct Kuala Lumpur-Delhi flights from December 30 with plans to launch services from Tiruchirapalli on 2nd January, Ahmedabad on 27th January and Mumbai on 15th February. Malindo Air is also planning to start flights from Cochin, Pune, Chennai, Madurai and Amritsar subject to availability of aircraft and permission to operate from those cities.

4. INTERNATIONAL NEWS¹

1. Dubai International, the world's second busiest international hub, is set to surpass the traffic forecast for the year, as the airport recorded another month of high growth this November. The traffic in November reached 5,337,544, up 9.5% compared to 4,875,003 in the corresponding period in 2012. The airport has registered 12 consecutive months with monthly traffic exceeding 5 million passengers. The year to date (November) totalled 60,384,407 passengers compared with 52,363,589 recorded during the same period last year, an increase of 15.3%. In November, Western Europe recorded the largest increase in total passenger numbers (+97,637 passengers), followed by the Indian subcontinent (+56,732), the AGCC (+56,711), Australasia (+51,151), and Africa (+46,731). The strongest markets in terms of percentage growth were Eastern Europe (+56.5%) driven by flydubai's services to 15 destinations in 10 countries across Europe, followed by Australasia (+33.4%) and Russia and CIS (18.8%) spurred by an increase in demand on routes to the region. Aircraft movements in November increased by 6% to 31,525 from 29,749 recorded during the same month in 2012. The year to date movements totalled 337,121, up 7.6% compared to 313,300 movements between January and November 2012.

Dubai International handled 223,195 tonnes of cargo in November, an increase of 11.6% compared to 200,060 tonnes recorded during the same month in 2012. The year to date freight volumes reached 2,217,429 tonnes compared to 2,077,676 tonnes handled during the corresponding period last year, an increase of 6.7%. Dubai International's total capacity increased to 75 million passengers per year when Concourse A was opened in January 2013 and will further increase when Concourse D opens in early 2015.

2. Abu Dhabi International Airport passenger traffic soared by 9.8% in November compared to same time last year. More than 1.3 million travellers passed through the departure and arrivals gates during the month. Aircraft movements increased by 10.7% reaching 11,856, while cargo traffic rose to 66,516 tonnes, a 33.3% increase compared to the same month in 2012. The top five destinations in November 2013 were India, Germany, the UK, Thailand and Pakistan. There has been an increase of 12.2% in passengers passing through the airport in the last 11 months compared with the same period in 2012, reaching 15 million passengers to date for 2013.
3. Singapore Changi Airport handled 4.46 million passengers in November - an increase of 2.3% on the same month last year. The airport welcomed more than 48.6 million travellers in 2013, a 5.1% rise on 2012. Air traffic movements for the month grew 6.9% to 29,500 flights and for the year now total 312,800, an increase of 5.8% compared to the same time a year ago. In November, growth in travel demand was strongest for Indonesia, Japan and Malaysia among Changi Airport's top 10 markets. Traffic to and from Denpasar in Bali, Kuala Lumpur and Tokyo rose by more than 10% over the corresponding period last year. Cargo movements registered a growth of 2.4% year-on-year, with a total of 161,000 tonnes of handled during the month. Year-to-date, Changi Airport has handled close to 1.7 million tonnes of cargo, a slight increase of 0.9% compared to the same period in 2012.

¹ ACI Airport World

New Airport Initiatives Internationally

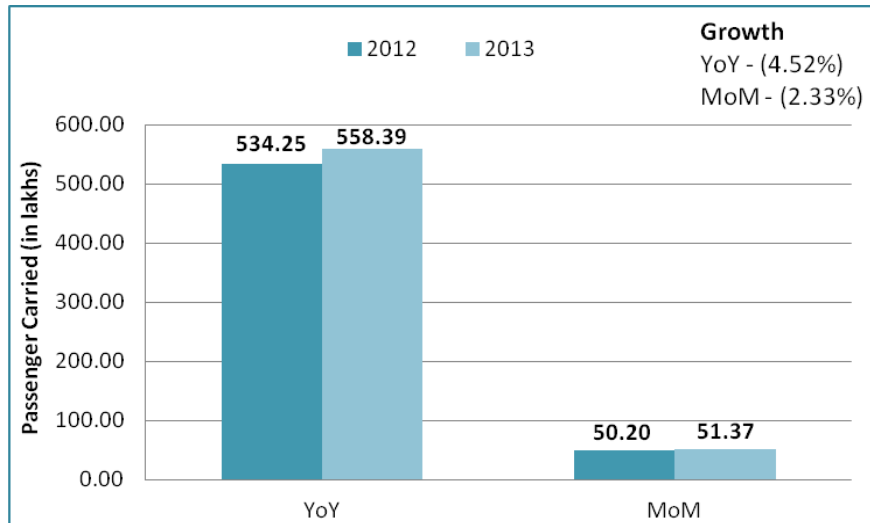
1. Abu Dhabi International Airport has unveiled a new initiative for passengers with reduced mobility by offering golf carts to help transport them between the departure and arrival halls, and the aircraft gates. This move is part of a plan to increase the airport's accessibility and ensure that its facilities best serve all passengers. The golf carts are available in terminals one and three. Over the past few years, Abu Dhabi Airports has installed specialised ramps, rails, and e-Gates designed for persons with reduced mobility at its airports to ensure comfort and accessibility. Abu Dhabi Airports formed a steering committee with major stakeholders at the airport in 2011 to improve accessibility for persons with reduced mobility.
2. Los Angeles International Airport (LAX) has opened a children's play area 'LAX Beach' on 20th December. The space is located past federal passenger security screening to conveniently serve travelers awaiting flights. The LAX Beach provides fun for children aged from two to eight years old. The space is composed of hand-painted, soft, sculpted foam pieces resembling beachscapes such as waves, surfboards, beach toys and sea life. LAX Beach features a slide and equipment for children to climb on with adjacent seating overlooking the area offering a place for parents to relax and watch their children.
3. Chopin Airport, Poland has installed a virtual assistant to help passengers with self-service check-in. All queries on how to use the kiosks, which documents to have prepared and how to print a boarding pass can be answered in English or Polish by the system. To activate the device, passengers press a button. The virtual assistant will then provide standard information needed to complete check-in. Similar devices are in use at other European and US airports, including Boston, Frankfurt, London and Edinburgh.
4. Chicago O'Hare International Airport has opened The Yoga Room, located on the mezzanine level of the Terminal 3 rotunda. Adjacent to the O'Hare Urban Garden, the 15x16ft amenity features a sustainable bamboo wood floor, floor-to-ceiling mirrors on one wall, exercise mats, and an area for personal articles and garments. Frosted windows on one side of the room offer both privacy and natural daylight. A wall-mounted video monitor displays yoga exercise techniques and imagery of nature, while soothing sounds are played. Plants line the outside of the windows and soft earth tone wall colours create a calming environment for yoga practice and relaxation. The Yoga Room is open daily from 6.00am to 10.00pm.
5. Kuwait International Airport is installing new self-service check-in kiosks by SITA. The new kiosks, which are in the final stages of testing, are part of an eight-year contract renewal for SITA's AirportConnect Open passenger processing platform. SITA's AirportConnect Open enables airports, airlines and their handling agents to access their respective IT applications in real time on shared equipment. It also allows any airline to use any agent desk, gate or self-service kiosk for passenger check-in and boarding. Kuwait's AirportConnect Open renewal with SITA covers some 200 positions at check-in desks, transfer and reclaim and 12 common-use self-service check-in kiosks. Kuwait International Airport handles about seven million passengers a year.
6. Birmingham Airport has announced a new partnership with a Caissa, Chinese travel specialist, in a bid to attract more Chinese visitors to the region. The partnership with Caissa forms part of the wider 'China Welcome Campaign' being launched by tourism body VisitBritain. The initiative is aiming to make the UK the most welcoming destination in the



world for Chinese visitors. Caissa will be working together with the airport in promoting Birmingham as a gateway to the UK for Chinese tourism. The agreement will see them work together to deliver a tourism programme inbound to the UK from China in 2014. As part of the partnership Birmingham Airport will display Chinese signage and have staff with specialist language skills. China is currently one of the fastest growing visitor source markets for the UK tourism industry at a rate of 20% year-on-year over the past few years. The Chinese visitor market is worth more than £1 million to the West Midlands economy with Birmingham now the 4th most popular destination in England.

5. TRAFFIC¹

1. According to DGCA, domestic airlines flew 51.37 lakh passengers in November this year, registering a growth of 2.33% against 50.20 lakh passengers carried in the same period last year. Total passengers carried by domestic airlines between January and November this year stood at 558.39 lakh as compared to 534.25 lakh in the same period last year, registering a growth of 4.52%.



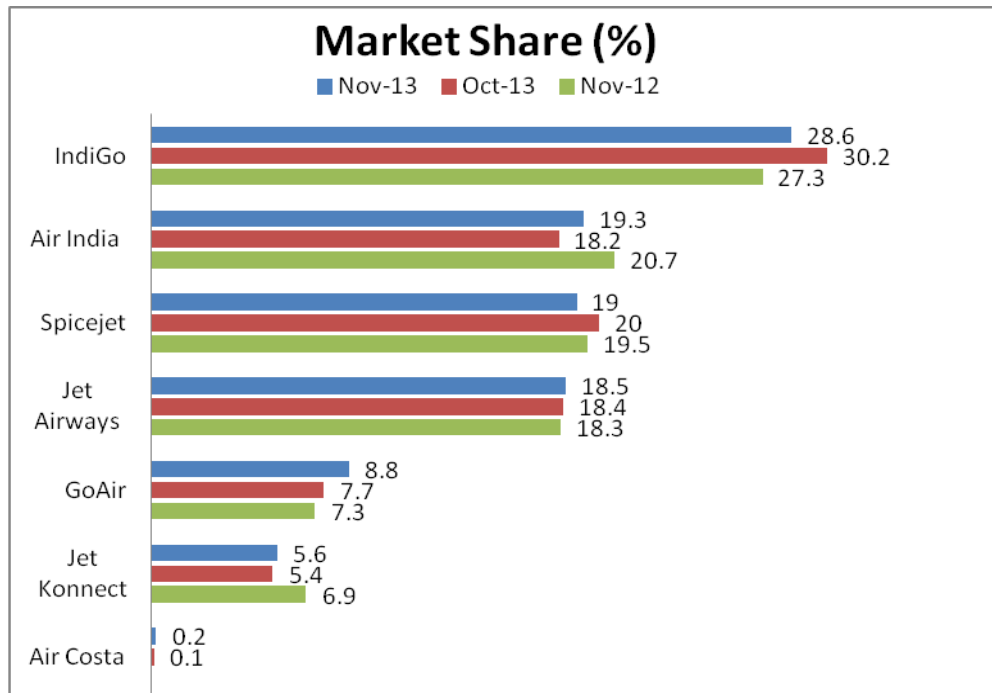
| Month | Passengers flown | | Percentage Change |
|-----------|------------------|-------|-------------------|
| | 2012 | 2013 | |
| Jan | 53.33 | 51.32 | -3.76 |
| Feb | 50.62 | 48.91 | -3.37 |
| Mar | 48.74 | 51.88 | -6.44 |
| Apr | 50.91 | 50.77 | -0.27 |
| May | 54.48 | 57.10 | 4.80 |
| June | 51.08 | 50.14 | -1.80 |
| July | 45.37 | 48.66 | 7.25 |
| August | 43.69 | 52.60 | 16.93 |
| September | 40.18 | 45.55 | 13.36 |
| October | 45.55 | 50.08 | 9.94 |
| November | 50.20 | 51.37 | 2.33 |

Source: Directorate General of Civil Aviation

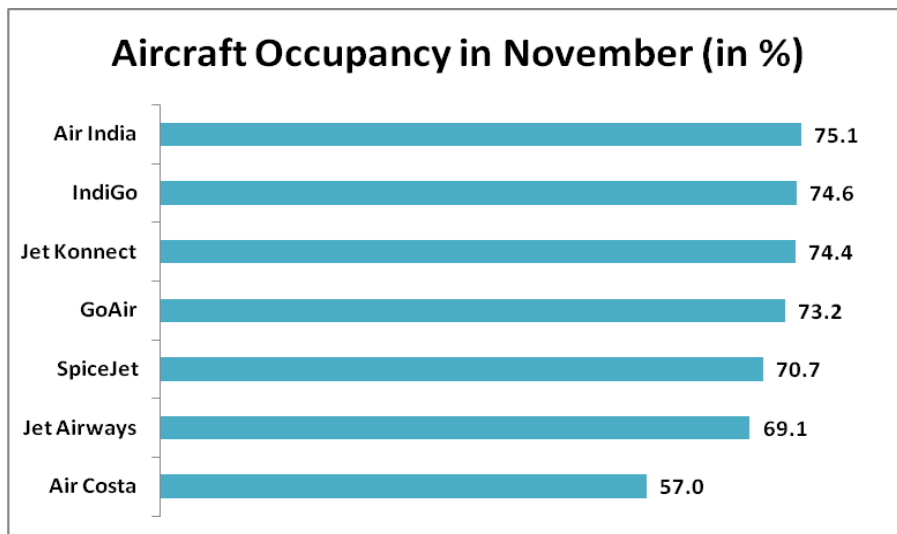
Passenger flown in lakhs

¹ ACI, IATA, DGCA and Press Information Bureau

2. The Market Share of scheduled domestic airlines for the month November 2013, October 2013 and November 2012 is:



3. The Passenger Load Factor of scheduled domestic airlines for the month of November 2013 is:



4. According to IATA Air Passenger Market Analysis October 2013, air travel markets expanded at a strong rate in October. Global revenue passenger kilometers were up 6.6% compared to a year ago, which is an improvement on the September increase of 5.2%. Global air travel volumes continue to trend upward at a solid rate, with a 0.4% expansion in RPKs compared to September. The pace of growth in air travel accelerated slightly in the middle of the year, consistent with positive developments in business confidence and better performance of major advanced economies. As a result, current growth year-to-date has reached 5.2%, a percentage point higher than the rate of expansion in Q2.

| | Year on Year Comparison | | | | | | Month on Month Comparison | | |
|---------------------|-------------------------|-------------|--------------|-----------------------|-------------|--------------|---------------------------|-------------|--------------|
| | Oct 2013 vs. Oct 2012 | | | YTD 2013 vs. YTD 2012 | | | Oct 2013 vs. Sep 2013 | | |
| | RPK | ASK | PLF | RPK | ASK | PLF | RPK | ASK | PLFpt |
| International | 6.9% | 6.6% | 78.4% | 5.3% | 4.7% | 79.8% | 0.4% | 0.7% | -0.2% |
| Domestic | 6.0% | 6.3% | 79.8% | 4.8% | 4.4% | 80.2% | 0.5% | 1.1% | -0.6% |
| Total Market | 6.6% | 6.5% | 78.9% | 5.2% | 4.6% | 79.9% | 0.4% | 0.8% | -0.3% |

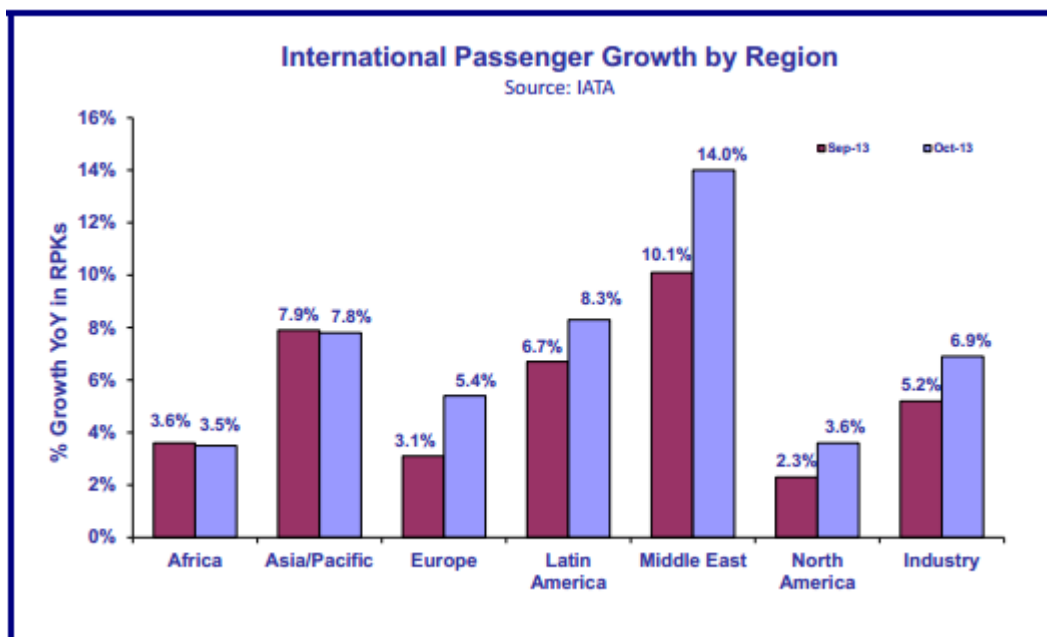
FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor. All figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

International Passenger Markets

October international passenger demand was up 6.9% compared to the year-ago period with airlines in all regions recording growth. Capacity rose 6.6% and load factor climbed 0.2 percentage points to 78.4%.

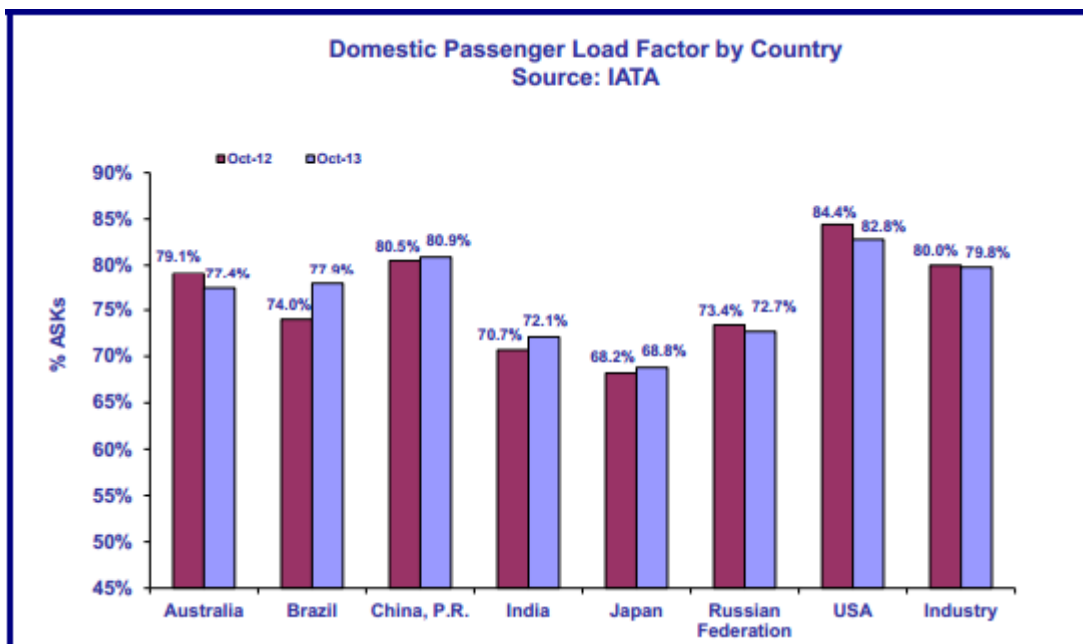
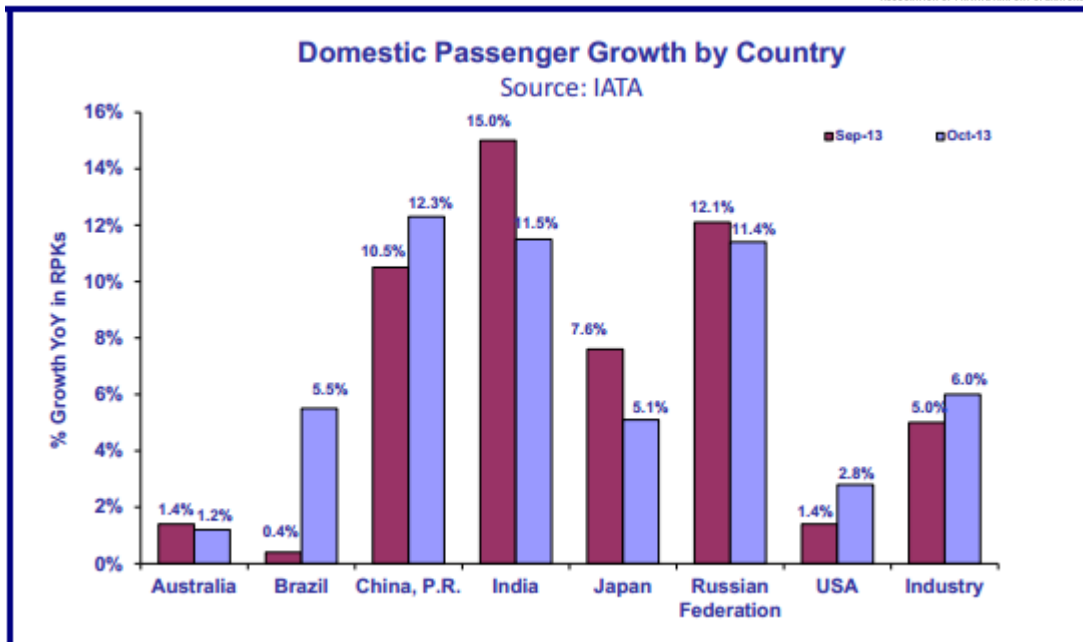
Asia-Pacific carriers continued their solid performance of recent months with a 7.8% rise in October compared to October 2012, the strongest performance among the three biggest regions. Current growth rates are an improvement compared to the first half of 2013, supported by better performance of major economies such as China and Japan. Furthermore, international trade volumes in emerging Asian economies rebounded in September adding support for business travel. With capacity up 7.1% versus October 2012, load factor rose 0.5 percentage points to 76.4%.



Domestic Passenger Markets

Domestic travel demand rose 6.0% in October compared to a year-ago, largely driven by strong traffic growth in developing markets. Total domestic capacity was up 6.3%, however, pushing load down 0.2 percentage points to 79.8%.

India's airlines experienced double-digit growth as traffic leapt 11.5% in October compared to a year ago. Airlines have experienced substantial volatility in traffic and it is likely that the increase is a result of unusually low volumes a year ago rather than growth in October. Capacity rose 9.4% and load factor climbed 1.4 percentage points to 72.1%.



5. According to IATA Air Freight Market Analysis October 2013, air freight markets improved in October after a brief pause in growth in September. Global freight tonne kilometers were up 4.0% in October year-on-year, a rebound from the 0.3% contraction in September. Global FTKs also increased in October compared to September. This comes after an adjustment in volumes in September compared to August, which is within the normal volatility range. Current FTK levels remain above the low point in Q1 by almost 3%. The modest improvement in air freight markets this year is consistent with a more supportive business environment. The average load factor for October was 46.4%, which is an improvement on the year-to-date load factor of 44.8%. This is still several percentage points below 2010 when they peaked at over 50%.

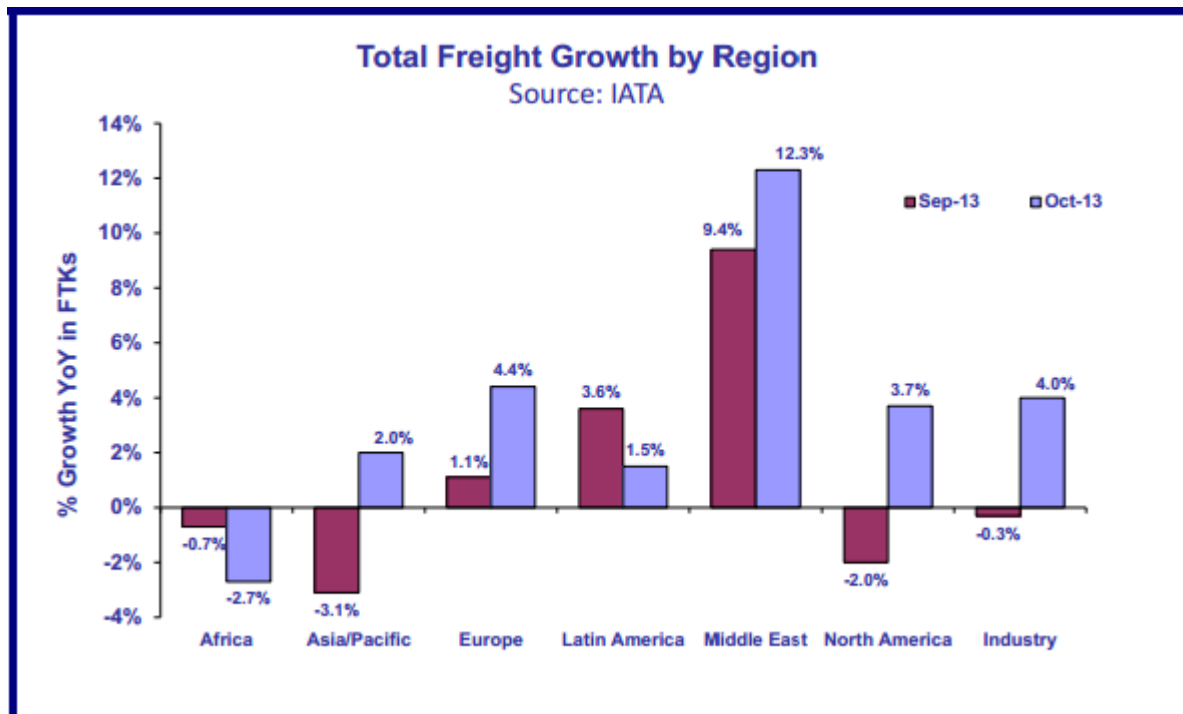
All regions but Africa grew in October 2013 compared to a year ago. The strongest growth was in the Middle East, but Europe also showed healthy improvement. Europe and the Middle

East combined have carried three quarters of the cargo increase over the past six months. **Asia-Pacific carriers'** traffic grew 2.0%, with capacity up 4.1%. Asian cargo volumes benefited from a resurgence in trade across the region, fueled by a stronger Chinese economy where manufacturing activity hit a 7-month-high. Both export and import volumes rose strongly in emerging Asian markets, reversing a mid-year decline. This bodes well for further growth in air freight in the months to come.

| | Year on Year Comparison | | | | | | Month on Month Comparison | | |
|----------------------|-------------------------|------|-------|-----------------------|------|-------|---------------------------|------|--------|
| | Oct 2013 vs. Oct 2012 | | | YTD 2013 vs. YTD 2012 | | | Oct 2013 vs. Sep 2013 | | |
| | FTK | AFTK | FLF | FTK | AFTK | FLF | FTK | AFTK | FLF pt |
| International | 3.9% | 4.9% | 50.0% | 0.6% | 2.2% | 48.4% | 1.0% | 0.5% | 0.3% |
| Domestic | 4.6% | 4.6% | 32.0% | 2.3% | 2.1% | 30.5% | 3.2% | 1.3% | 2.0% |
| Total Market | 4.0% | 4.9% | 46.4% | 0.8% | 2.2% | 44.8% | 1.3% | 0.6% | 0.3% |

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor; All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between load factors of two months.



- According to IATA Airlines Financial Monitor October- November, 2013, worldwide airline shares rose further in November, up 4% compared to October. The strongest gains came from US airline shares, which rose almost 11% over the month, supported by significant improvements in financial performance. Asia Pacific airlines shares, by contrast, are now down 6% since the start of the year, reflecting weakness in financial performance throughout 2013. Q3 financial results suggest that airlines are continuing to improve financial performance in most regions.
- IATA in its Financial Forecast December 2013 has announced an upward revision to its industry financial outlook. Airlines are expected to return a global net profit of \$12.9 billion in 2013 and \$19.7 billion in 2014. Both are improvements on the September forecast which anticipated an industry net profit of \$11.7 billion in 2013 increasing to \$16.4 billion in 2014. The upward revision reflects lower jet fuel prices over the forecast period as well as

improvements to the industry's structure and efficiency already visible in quarterly results this year. Passenger markets continue to outperform the cargo business which remains stagnant both on volumes and revenues. IATA expects 2014 to be a second consecutive year of strengthening profitability (beginning from 2012 when airlines posted a net profit of \$7.4 billion). Industry net profit margins, however, remain weak at 1.1% of revenues in 2012, 1.8% in 2013 and 2.6% in 2014. Within this aggregate forecast for the entire industry, performance of individual airlines and regions will vary considerably. The anticipated \$19.7 billion profit in 2014 would come on projected revenues of \$743 billion. While this would be the largest absolute profit for the airline industry—outstripping the \$19.2 billion net profit that the industry returned in 2010 - it is important to note that 2010 revenues were \$579 billion. The net profit margin in 2010 was 3.3%, some 0.7 percentage points higher than the 2.6% expected for 2014.

Passenger numbers are expected to reach 3.1 billion in 2013 and rise by 6% to 3.3 billion in 2014. Nonetheless, competition remains intense and industry-wide average yields are expected to fall by 0.2% in 2013 and by 0.6% in 2014. Airlines are expected to carry 51.6 million tonnes of cargo in 2013, increasing to 52.5 million tonnes in 2014. This modest increase in demand is expected to be offset by a decline in yields (-2.1% in 2014). Despite the stagnation in the air cargo industry, belly capacity continues to be introduced as airlines seek to maximize on the robust passenger demand. Cargo revenues are expected to be \$60 billion in both 2013 and 2014. While revenues peaked in 2011 at \$67 billion, for 2013 and 2014 they are basically unchanged from 2007 levels.

Ancillary revenues are a key driver of improved financial performance. Worldwide ancillary revenues have risen to an estimated \$13/passenger. Airlines are underpinning their profitability with innovative products and services. On a per passenger basis, ancillary revenues are greater than the \$5.94/passenger profit that airlines are expected to earn in 2014. Without ancillaries, the industry would be making a loss from its core seat and cargo products.

Asia-Pacific airlines are expected to post a \$3.2 billion profit in 2013 which will be a third consecutive year of declining profits. The trend is expected to reverse in 2014 with a slight uptick to \$4.1 billion. In both years, the region is expected to deliver the second largest absolute profit. The region's EBIT margin of 4.1% in 2013 is expected to improve slightly to 4.4% in 2014. The profitability of the region's airlines is subdued by the ongoing weakness in cargo demand and the impact on supply-demand conditions of an expected delivery of 710 new aircraft next year. The Asia-Pacific carriers are the largest players in global cargo markets with a nearly 40% market share. Home market performance has also been mixed. Despite a shift to a lower economic growth trajectory, China's domestic market continues to see strong growth in RPKs of 12% or more. India's domestic market had weakened sharply in line with the economy, but there has been a recent revival of air travel with growth rates back to low double digit figures. Japan, by contrast, has only seen a very low rise in domestic air travel and the size of the market is still not back to pre-tsunami levels.



8. According to IATA Premium Traffic Monitor October 2013, international premium air travel recorded a rise in October with the number of passengers up 5.6% compared to a year ago. This is an improvement on September, when premium air travel rose 4.3% year-on-year. The October results show strong performance on key routes, including the major North Atlantic market, which generates nearly 22% of total premium revenues. Premium passenger numbers rose 5.6% in October on a year ago for the North Atlantic market, well above the growth seen so far this year (2.5%), confirming that business conditions in Europe and the US are improving. Other markets connected to Europe also saw solid increases in October, including Europe – Middle East (9.5%) and Europe – Far East (7.6%), as Q4 Eurozone indicators suggest the best business conditions for the past 2 years.

Premium travel within Far East carried 20% of the rise in overall premium traffic October year-on-year, with a solid increase of 9.6%, driven by continued improvements in China’s economy and accelerating regional trade activity. Growth so far this year has pick-up to 8.0%, after considerable weakness in the mid-months of 2013, bringing expansion close to rates seen in 2012. The near-term outlook for air travel markets continues to improve, alongside steady improvements in the business environment. Indicators of business confidence continue to rise, and the outlook for world trade growth is also improving with another rise in global export orders in November. The pace of future growth in business travel, however, will depend on the strength of any pick-up in world trade growth. Beyond the cyclical improvement in the global economy we are presently experiencing, recent developments show that a pause in globalization has caused a slowdown in international trade growth. If this trend persists, air travel and in particular business-related air travel, could see a moderation in growth in the future

9. According to IATA Cargo E-Chartbook Q4 2013, airline cargo businesses are seeing slightly better demand conditions and improvement in forward looking indicators. But continued increases in capacity have kept downward pressure on yields and revenues. Air freight growth has improved in 2013 in line with positive cyclical developments in business conditions. Global business confidence has been rising steadily since the start of Q3 and consumers in Europe and the US have become increasingly more confident throughout 2013. These developments have supported a rise in demand for air-freighted commodities like semi-conductors. But expected gains have been limited by an on-shoring of production, which has limited international trade growth. Moreover, continued increases in capacity have countered modest improvements in demand, causing yields to decline. This trend could continue as new aircraft deliveries come into service in 2014. Cargo heads surveyed in October 2013 remain optimistic, expecting growth in traffic to support a slight increase in yields next year.
10. According to ACI global passenger traffic continued along its growth path for the month of October increasing by 4.9% from the previous year. With global passenger growth in the realm of 3% year-over-year for the last twelve months, October represented a banner month for passenger traffic as airports in advanced economies bounced back with strong gains heading into the third quarter of 2013. The world's airports reported an overall year-over-year gain of 4.1% in air freight traffic for the month of October. The rise in air freight volumes is consistent with the recent improvements in international trade volumes and overall business confidence.

Asia-Pacific:

With overall growth of 8% in passenger traffic for the month of October, virtually all of the major hubs in the Asia-Pacific region experienced robust growth rates. International passenger traffic was a driving force behind the gains for the region, growing by almost 10%. While economies such as China face a cyclical slowdown, passenger traffic at Chinese airports remained relatively strong. Seven of the major Chinese airports with over two million passengers for the month of October had a combined 9% increase in passenger traffic.

The global air freight hubs of Hong Kong (HKG), Shanghai (PVG) and Incheon (ICN), which make up a considerable proportion of traffic in the Asia-Pacific region, had year-over-year increases of 6.1%, 10.7% and 2.5% respectively. This is in stark contrast to previous months where growth was much lower or even in negative territory. The major top ten airports posted gains in freight traffic. The region, as a whole, grew by 4.5% in air freight volumes for the month of October.

| SUMMARY WORLDWIDE TRAFFIC RESULTS, October 2013 (% CHANGE) | | | |
|---|---|------------------------------|----------------------------------|
| | October 2013 Over October 2012 | Year to date 2013 | 12-month rolling year |
| <i>PaxFlash</i> | | | |
| International passenger | 5.9 | 5.1 | 4.9 |
| Domestic passenger | 4.0 | 2.2 | 1.7 |
| Total passenger | 4.9 | 3.6 | 3.2 |
| <i>FreightFlash</i> | | | |
| International freight | 4.1 | 0.1 | 0.2 |
| Domestic freight | 4.2 | 1.2 | 0.9 |
| Total freight | 4.1 | 0.4 | 0.4 |

11. Preliminary traffic figures for the month of November by the Association of Asia Pacific Airlines (AAPA) showed growth in both international passenger numbers and air cargo traffic. The region's carriers registered a 6.7% increase in international passenger numbers to a combined total of 18.2 million in November, with continued regional economic confidence supporting both business and leisure travel demand. Measured in revenue passenger kilometres, international passenger demand grew by 5.1%, whilst available seat capacity expanded by 5.6%, resulting in a 0.4 percentage point fall in the average international passenger load factor to 76.3% for the month.

For Asia Pacific airlines, international air cargo demand in freight tonne kilometre (FTK) terms registered a solid 5.4% increase compared to the same month last year, following a pickup in global demand for Asian exports. However, the average international freight load factor continued to edge downwards, registering a 0.5 percentage point fall to 67.2% in November, after a 6.1% expansion in offered freight capacity.

Over the past eleven months, Asia Pacific airlines carried a total of 200 million international passengers, 6.0% more than in the same period last year, maintaining the pattern of steady growth seen over the past five years. Conversely, air cargo demand has remained relatively weak, with volumes 0.7% lower compared to the same period last year, but has picked up in recent months in line with steadily improving global economic conditions. Looking ahead, Asian carriers remain positive about prospects for further growth in demand for air travel in the coming year, and ongoing stabilisation of air cargo demand, supported by the gradual improvement in global business and consumer sentiment.

TRAFFIC UPDATE – PRELIMINARY
International Scheduled Services of Asia Pacific Airlines

| International | Nov-13 | Nov-12 | % Change | Jan-Nov 2013 | Jan-Nov 2012 | % Change |
|-----------------------|---------------|---------------|-----------------|---------------------|---------------------|-----------------|
| Passengers (000) | 18,163 | 17,026 | + 6.7% | 200,470 | 189,136 | + 6.0% |
| RPK (mn.) | 65,753 | 62,577 | + 5.1% | 741,646 | 704,822 | + 5.2% |
| ASK (mn.) | 86,205 | 81,633 | + 5.6% | 948,164 | 905,367 | + 4.7% |
| Passenger Load Factor | 76.3% | 76.7% | - 0.4 pp | 78.2% | 77.8% | +0.4 pp |
| FTK (mn.) | 5,510 | 5,227 | + 5.4% | 53,926 | 54,285 | - 0.7% |
| FATK (mn.) | 8,196 | 7,724 | + 6.1% | 82,515 | 81,727 | + 1.0% |
| Freight Load Factor | 67.2% | 67.7% | - 0.5 pp | 65.4% | 66.4% | - 1.0 pp |

- Aggregated traffic data for 25 Asia Pacific based carriers
- Previous year data adjusted for comparison purposes
- RPK = revenue passenger kilometres
- ASK = available seat kilometres
- FTK = freight tonne kilometres
- FATK = available freight tonne kilometres
- All figures, including estimates for missing data, are provisional

12. Foreign Exchange Earnings (FEEs) from tourism in November, 2013 increased by 7.26% to Rs 10,429 crore as compared to Rs 9,723 crore in November, 2012 and increased by 22.4% as compared to Rs 7,941 crore in November, 2011. FEEs from tourism during January to November 2013 were Rs.94,156 crore with a growth of 12.2%, as compared to the FEEs of Rs.83,938 crore with a growth of 22.1% during January to November 2012 over the corresponding period of 2011.

13. Foreign Tourist Arrivals (FTAs) during the Month of November 2013 were 7.18 lakh as compared to FTAs of 7.01 lakh during the month of November 2012 and 6.70 lakh in November 2011. There has been a growth of 2.4% in November 2013 over November 2012 as compared to a growth of 4.7% registered in November 2012 over November 2011. FTAs during the period January to November 2013 were 60.48 lakh with a growth of 3.8%, as compared to FTAs of 58.25 lakh with a growth of 4.5% during January to November 2012 over the corresponding period of 2011. FTAs in India have registered a positive growth during 2010, 2011 and 2012.

| Year | FTAs (in million) | Growth Rate (%) |
|-------------|--------------------------|------------------------|
| 2010 | 5.78 | 11.8 |
| 2011 | 6.31 | 9.2 |
| 2012 | 6.58 | 4.3 |

14. Tourist Visa on Approval has recorded a growth of 26.5% during the period January to November, 2013. During the period January to November 2013, a total number of 17,594 VoAs have been issued in this period as compared to 13,903 VoAs during the corresponding period of 2012. During the month of November, 2013, a total number of 1,824 VoAs were issued under this Scheme as compared to 1,630 VoAs during the month of November, 2012, registering a growth of 11.9%.

6. REVIEW OF REPORT

CAPA Airport Finance and Privatisation: Review of the Year 2013 and 2014 outlook

CAPA has published a report on Airport Finance and Privatization: 2013 Review and 2014 Outlook on 27th December 2013. Part 2 of this report has reviewed the activities of Africa, Middle East, Russia, West Asia, India, China and the rest of Asia whereas Part 1 of the report reviews the situation in Europe, North America and Latin America.

In the Africa review, CAPA has mentioned that some states including Ghana are attempting a series of PPP transactions to improve major airports. In respect of Middle East and Gulf airports, CAPA has observed that there have been more investment activities in Saudi Arabia. As far as Russian airports are concerned CAPA's observation is that the President and the Prime Minister is taking a close and personal interest in the country's aviation affairs.

In its Asia Pacific airports review, it mentions that Indonesia allowed foreign investors to operate airports and the airport services will be fully through PPP. CAPA has also mentioned that Vietnam is also following Indonesia's example. As far as Philippines airports are concerned the country is considering various options for the development of major airports. CAPA has observed that private investment in China is not on the high agenda of China Government. It also opined that there is little incentive for private organisations to become involved. The Government is unlikely to give private organisations subsidies etc. In the case of Australia, CAPA has mentioned that it is waiting for a long time for a decision on new airport capacity.

The report also gives detailed account about the **PPP's in Indian airport sector**. India is progressing slowly and painfully towards a second round of PPP. This time on six airports, the government, Airport Authority of India (AAI) and other interested parties have long debated the merits or disadvantages of privatising the main airports since the first round in 2006 (Delhi and Mumbai; also separately Bangalore and Hyderabad; and previously Cochin). The difference between Brazil and India of course is that the former moved on to the second stage of the procedure within a year while the latter took seven years and there is still no certainty of a conclusion.

The timescale, which has been advanced and subsequently put back over the last six months, calls for the privatisation of Chennai, Kolkata, Jaipur, Lucknow, Guwahati and Ahmedabad airports by the end of Mar-2014 with Chennai and Lucknow coming first. AAI is expected to maintain a 26% stake in all the airports (as previously), with private players bidding for the majority stake. An inter-ministerial group recommended that the public-private partnerships be operated under an operate, maintain and transfer model (OMT), with a seven to 10 year contract life with the AAI remaining the controlling agency for the airports and a partner in the PPP model.

The report mentioned that this batch of deals has to be seen within the framework of a reported intent by the Ministry of Civil Aviation partially to privatise 15 airports in total. Some of them (it is not clear which) may be operated under 30-year agreements. The Civil Aviation Minister evidently feels India needs "professional management for airports which will handle marketing and concessionaires" options under consideration include public-private partnerships, management contracts, build-operate-transfer concessions and joint venture agreements. Again, AAI would maintain an ownership share in all the partially privatised airports. But as in 2006, there are many potential issues still lurking in the background. That first 'formal' privatisation procedure, which led eventually to the privatisation of the two largest airports, was characterised

by confusion and much ‘goalpost shifting’ towards the end of the procedure. Following completion of the procedure the Indian Planning Commission even reached a decision not to proceed with any further privatisations in the airport sector.

The government’s own Parliamentary Standing Committee on Transport, Tourism and Culture is “totally against” the decision of the Indian Government to privatise the six airports and allow the “transfer of assets to private entities”. It prefers that AAI should be allowed to offer long term management contracts for the airports instead. In Nov-2013 its chairman announced he was seeking an immediate halt, stating that there was “undue haste being shown in the whole process.”

That is much the same as the Standing Committee’s UK equivalent suggesting that country’s privatised airport system should be renationalised. Also:

- IATA is unhappy with the ‘norms’ being used, suggesting they are in breach of a government report and may raise costs, having a subsequent negative impact on airlines and passengers.
- As was the case in 2006 the relevant trades unions are dead set against the proposals. The Airports Authority Union declared it “would not entertain any briefing” on the privatisation plan and was petitioning Indian authorities to terminate the privatisation process as it is “a brutal attack on AAI pushing it into financial distress situation” following the investment of INR50 billion (USD816.5 million) in the modernisation of these airports. While he was speaking employees at Kolkata Netaji Subhas Chandra Airport began a three-day hunger strike in protest against the government’s plans.

The response to the RFP has been good, though. Nine companies responded to the RFP for the privatisation and management contract for Chennai and they are believed to include several of the first round bidders in 2006 such as GMR Infrastructure (successful at Delhi), GVK Infrastructure (successful at Mumbai), Fraport (Delhi), also Reliance Industries, in addition to Tata Realty & Infrastructure (possibly bidding at both Chennai and Lucknow). Ahmedabad Airport is rumoured to have attracted interest from 16 parties. The shortlist of bidders is due to be announced in early Jan-2014.

The report also brought out the future for this privatisation process in India, which has been so fiercely debated since 2006? There are conflicting signals. On the one hand the Tata Group, which has a global presence, hinted that it plans to start businesses across the entire aviation value chain, that would reportedly include operating airports, constructing an aircraft repair and maintenance facility and developing an information technology backbone for aviation services. On the other hand the Civil Aviation Secretary has revealed that the government is looking at establishing up to 100 low-cost airports over the next two fiscal years, to increase connectivity to smaller regional centres and help relieve congestion at major airports facing capacity constraints “in the same way as mobile technology has gone to the smallest town of the country”. The AAI would have responsibility for the airports and is considering long-term bond issues to help it fund these developments. The Indian Government plans to invest more than USD120 billion in new airport infrastructure and expansion and development of existing smaller airports.

India’s equivalent of the River Thames Estuary Airport proposal, Mexico’s Texcoco, and Sydney’s Badgerys Creek is the Navi (New) Mumbai airport project, which has stalled badly. AAI is preparing a number of long-term funding options for its development, in case private

developers are uninterested in the bidding process. The project has suffered more than five years of delays due to land acquisition and environmental concerns. Projected project costs have risen from INR47.660 billion (USD753 million) to INR145.73 billion (USD2.3 billion). CIDCO, the responsible Development Corporation, remains confident it will attract many bidders but there are many environmental lobbies against it.

The report concluded that airport privatisation remains in a state of flux. Many of the established organisations have quit the sector or are scaling down their presence. Their replacements, a growing variety of funds, do not have the same degree of allegiance to the business and, for the most part, are fixated on the bottom line. Fortunately, their number includes organisations that are known to invest for the long term, offering continuing stability at least to many primary level airports. At the secondary level prospects are not so good and we should expect more owners to seek to exit the business and potentially the re-engagement of the public sector. In the aviation business generally, the future looks brighter than it has for some time with a breadth of positive indicators on, inter alia, oil prices, operating margins, airline share prices, airframe manufactures' orders, premium traffic figures and so on. For the airline business, subject to another unforeseen 'shock' the tide may have turned.