



Aviation: Scaling 20mn tourists

Tourism PowerHouse 2019

A PATA India Initiative

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Solutions-focused aviation advisory, research and knowledge

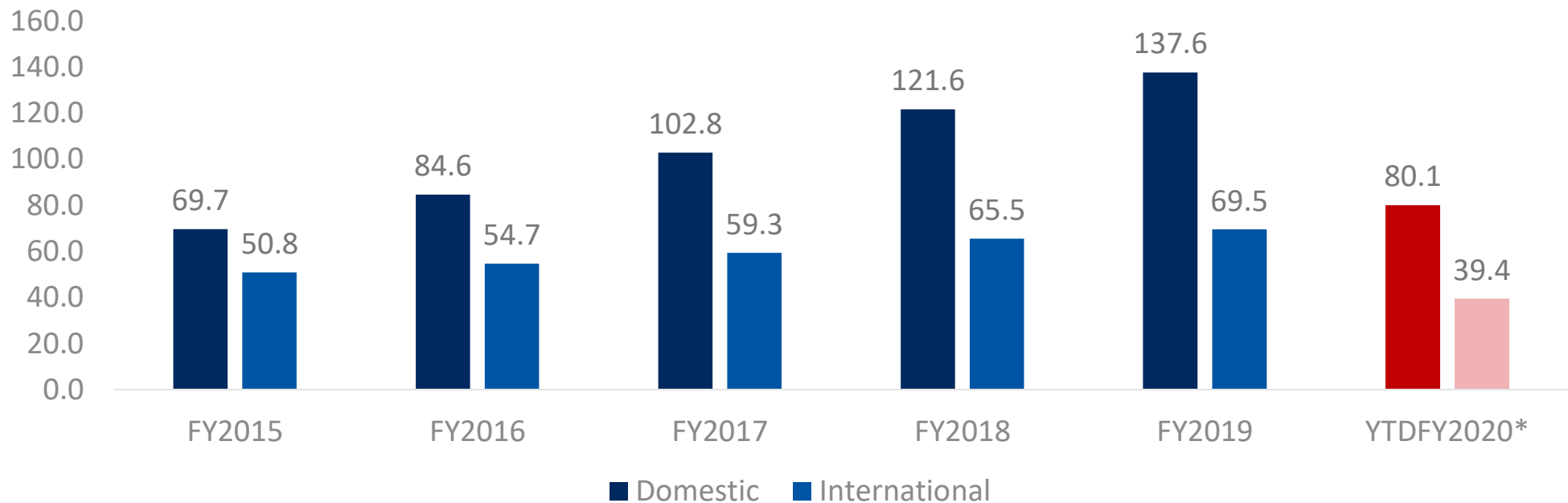
Introductory Comments

- The Honourable Prime Minister is India's leading tourism ambassador
 - At every Indian and global forum he inspires the entire Indian tourism industry to take step changes to achieve its potential, and to move away from an incremental approach.
 - The response of the industry and related institutions has been inadequate relative to the vision.
 - Based on CAPA's research in India and globally, India needs a tourism mission which is realistic, achievable and implementable. It must factor in:
 - › institutional infrastructure, including governance and delivery
 - › physical infrastructure (consisting not only of hotels rooms but also civic infrastructure, public transport, urban mobility, competitiveness, cleanliness, tourism experiences) with a focus on carrying capacity
 - › modernisation of our heritage attractions
 - › environmental sustainability
 - › gender sensitivity and safety of female travellers
 - The culture of change, in line with the Honourable PM's change, must start with clear definitions (FTAs, FTAs by air, ITAs, which range between 8m and 17m) and better collection of data. Only then can we achieve clarity on our targets.
 - The Indian tourism industry is largely oblivious to the critical role that aviation play despite the fact that 97.5% of tourists (excl. Bangladesh) arrive by air.
 - Current international capacity constraints (post 9W closure) is resulting in load factors >90% and high fares may be resulting in tourism arrivals being displaced – this has not been quantified.

Indian aviation has seen tremendous growth – the domestic market has doubled within the last 4 years during FY2015–FY2019

- Over the last four years, domestic traffic has grown at a CAGR of 18.6%, rising from 69.6 million in FY2015 to 137.6 million passengers in FY2019.
- International traffic has grown at a CAGR of 8.1% during the same period.
- CAPA India estimates total traffic to grow only marginally during FY2020 (approx. 2-3%).
- In the first 7 months of FY2020, total airport traffic has increased by just 0.7% y-o-y.

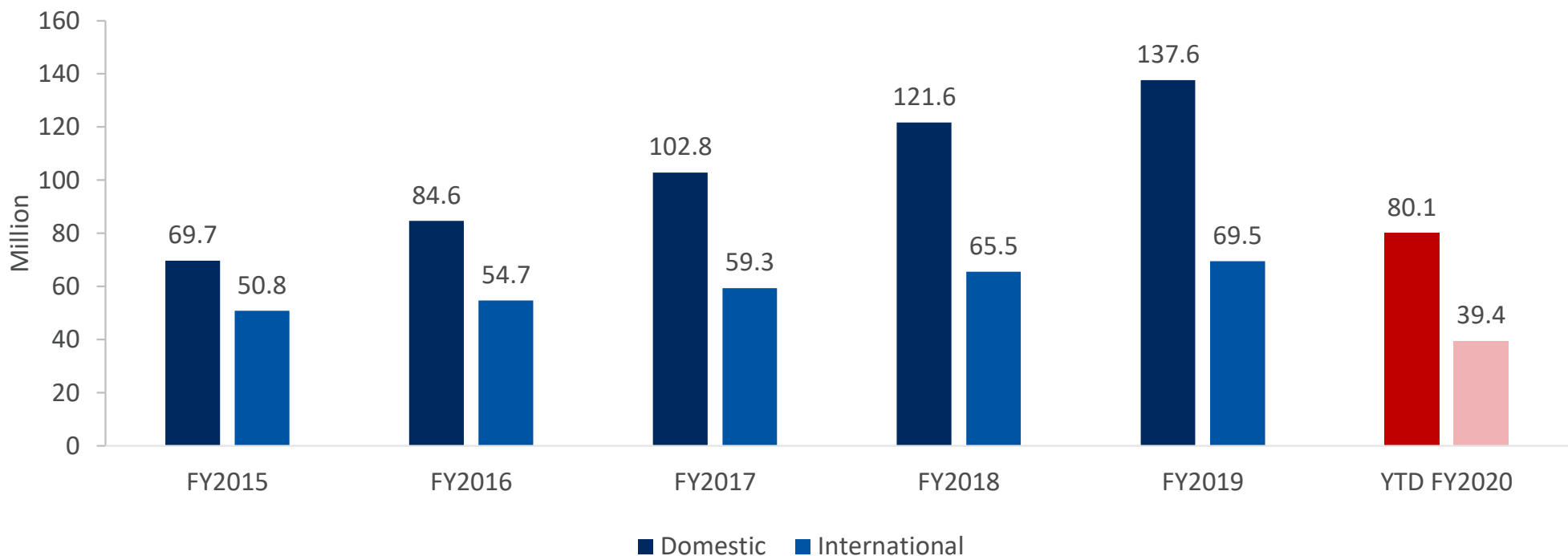
Domestic and international airport passenger movements, FY2015–7MFY2020



During FY2015–FY2019, the Indian aviation space witnessed tremendous growth, with the domestic market doubling

- Over FY2015–FY2019, domestic traffic expanded at a CAGR of 18.6% to 137.6 million passengers from 69.6 million in FY2015.
- During the period, international traffic increased at a CAGR of 8.1%.
- CAPA India estimates the overall traffic to marginally grow during FY2020. The total airport traffic increased only 0.7% y-o-y during the first seven months of FY2020.

Domestic and international passenger traffic, FY2015–YTD FY2020



Note: 1) YTD FY2020 refers to the period Apr–Oct 2019

Source: CAPA India research and analysis; AAI

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The positive impact of tourism on GDP and employment through strong economic multipliers, must be continually highlighted by the industry

- In 2017, travel and tourism sectors made a 9.4% total contribution to India's GDP.
- Travel and tourism creates jobs where there is a relatively high requirement (many tourist attractions are in second- and third-tier cities) and for the right people (i.e. unskilled and semi-skilled workforce).

Contribution of travel and tourism to GDP and employment, 2017 and 2028f

Particulars	India				World			
	2017		2028f		2017		2028f	
	Amount (USD billion)	% of total	Amount (USD billion)	% of total	Amount (USD billion)	% of total	Amount (USD billion)	% of total
Direct contribution to GDP	91.3	3.7%	194.7	3.9%	2,570.1	3.2%	3,890.0	3.6%
Total contribution to GDP	234.0	9.4%	492.2	9.9%	8,272.3	10.4%	12,450.1	11.7%
GDP multiplier	1.6x				2.2x			
Direct contribution to employment (million)	26.1	5.0%	33.2	5.3%	118.5	3.8%	150.1	4.2%
Total contribution to employment (million)	41.6	8.0%	52.3	8.4%	313.2	9.9%	413.6	11.6%
Employment multiplier	0.6x				1.6x			

Note: 1) f stands for forecast

Source: CAPA India research and analysis; World Travel and Tourism Council

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With 17.4mn International Tourist Arrivals in 2018, India is ranked 25th in the world. However this is well below its potential, given what the destination offers.



2018 FTAs:
10.6 million



2018 ITAs:
17.4 million



2018 FEEs:
USD28.6 billion



2018 ITA rank,
2018:
25

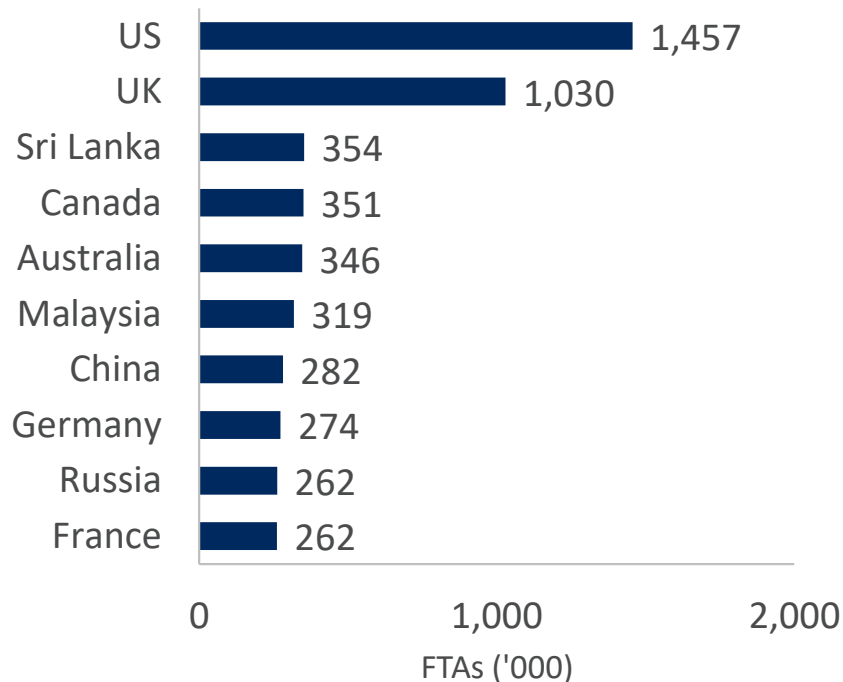


2018 FEE rank:
13

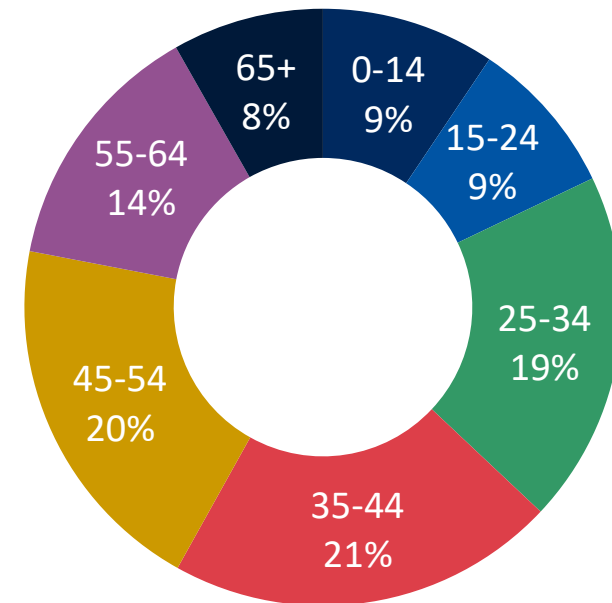


Gender (2017):
59.4% Males

Top 10 source markets for foreign tourists, 2018



Profile of age of foreign tourists (years), 2017



Source: CAPA India research and analysis; Ministry of Tourism, India

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FTAs from India's top 10 markets increased at a CAGR of 5.5% during 2008–2018. China's rank improved to 7th in 2018 from 10th in 2017

- FTAs from Russia registered the highest CAGR of 11.2% during the last 10 years, followed by China (11.2%), Malaysia (10.7%) and Australia (9.0%).
- In 2018, Sri Lanka (16.5%) and China (14.0%) were the only two source markets (amongst the top 10) that saw double-digit year-on-year growth.

FTAs from India's top 10 source markets, 2008–2018 (excluding Bangladesh)

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Y-o-Y change	2008–2018 CAGR
US	804.9	827.1	931.3	980.7	1,039.9	1,085.3	1,119.0	1,213.6	1,296.9	1,376.9	1,456.7	5.8%	6.1%
UK	776.5	769.3	759.5	798.2	788.2	809.4	838.9	867.6	941.9	986.3	1,029.8	4.4%	2.9%
Sri Lanka	218.8	240.0	266.5	305.9	297.0	262.3	301.6	299.5	297.4	303.6	353.7	16.5%	4.9%
Canada	222.4	224.1	242.4	259.0	256.0	255.2	268.5	281.3	317.2	335.4	351.0	4.7%	4.7%
Australia	146.2	149.1	169.6	192.6	202.1	219.0	239.8	263.1	293.6	324.2	346.5	6.9%	9.0%
Malaysia	115.8	135.3	179.1	208.2	195.9	242.6	262.0	272.9	302.0	322.1	319.2	(0.9%)	10.7%
China	98.1	100.2	119.5	142.2	169.0	174.7	181.0	206.3	251.3	247.2	281.8	14.0%	11.1%
Germany	204.3	191.6	227.7	240.2	254.8	252.0	239.1	248.3	265.9	269.4	274.1	1.7%	3.0%
Russia	91.1	94.9	122.0	144.3	177.5	259.1	269.8	172.4	227.7	278.9	262.3	(6.0%)	11.2%
France	207.8	196.5	225.2	231.4	240.7	248.4	246.1	230.9	238.7	249.6	262.1	5.0%	2.3%
Top 10	2,886.0	2,928.1	3,242.9	3,502.8	3,621.0	3,808.2	3,965.8	4,056.0	4,432.8	4,693.8	4,937.0	5.2%	5.5%
Total FTAs	5,282.6	5,167.7	5,775.7	6,309.2	6,577.7	6,967.6	7,679.1	8,027.1	8,804.4	10,035.8	10,557.9	5.2%	7.1%

Source: CAPA India research and analysis; Ministry of Tourism, India

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Data collection on purpose of visit needs to be improved. Leisure and VFR both fall under the tourist visa category. More granularity is needed to track and support investment.

- **International definition of FTA:** An arrival at international borders by a non-resident is considered an FTA to the country of reference. Some examples are Australia, the UK and the US.
- **India's definition of FTA:** An arrival at international borders by foreign passport holders is considered an FTA.
- **Change in data reporting by the Ministry of Tourism**
 - **International Tourist Arrival statistics published for 2014–2018:** These include numbers of NRIs, but details such as source country, purpose, age and port of entry were missing in the statistics.
 - **Change in reporting from purpose of visit to class of visa:** The share of the 'leisure holiday and recreation' category in the overall FTAs increased by 28.7 ppts to 59.0% in 2017, up from 30.3% in 2013 (because the tourist visa category includes both leisure and VFR segments).

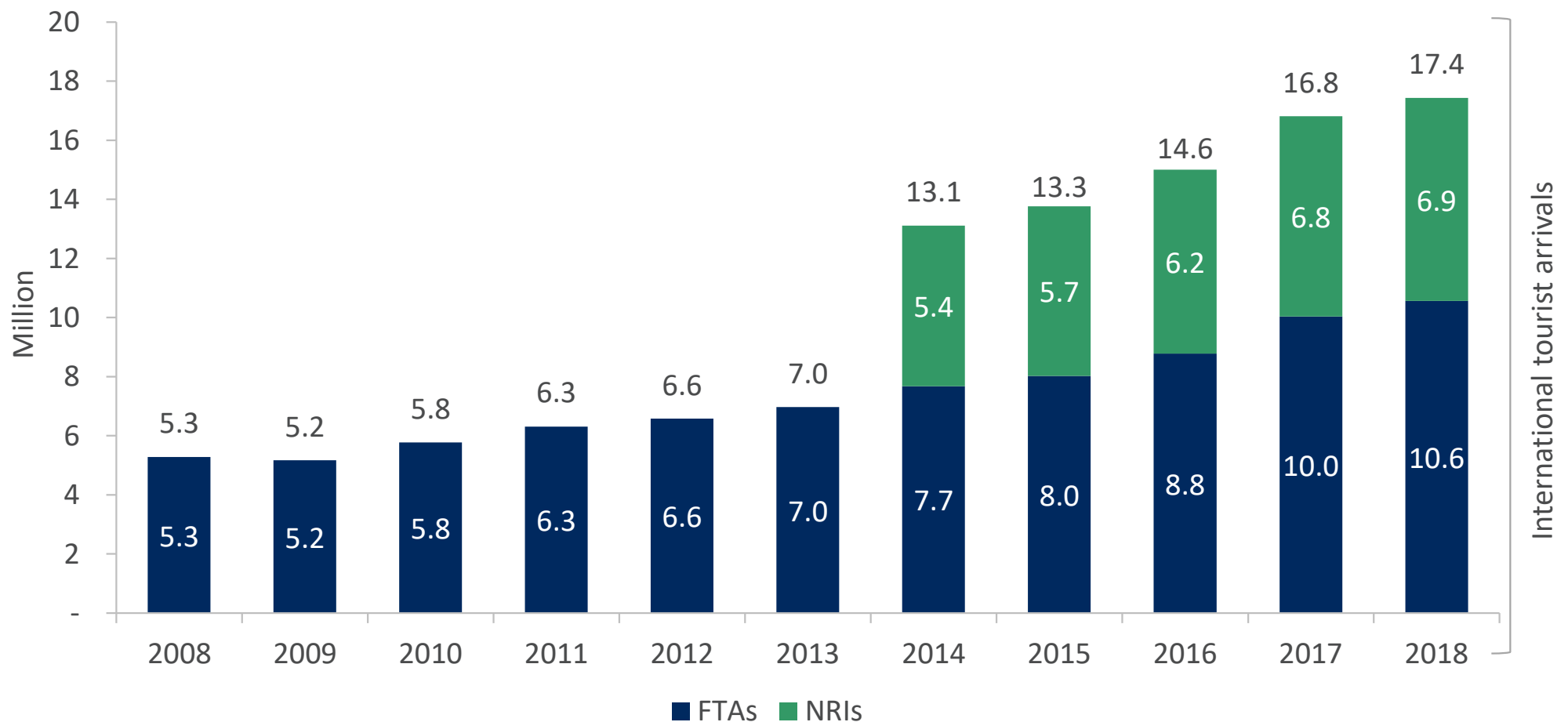
India's definition of FTAs and ITAs

	International visitors with non-Indian passports	NRIs
ITAs	✓	✓
FTAs	✓	

The reporting of NRI arrivals is a step forward. NRIs too can contribute to leisure spend, though this requires more detailed data on NRIs.

- Considering ITA statistics are available only for 2014–2018, detailed analysis can only be done for FTAs. Better reporting of ITA statistics will also improve understanding of outbound travel.

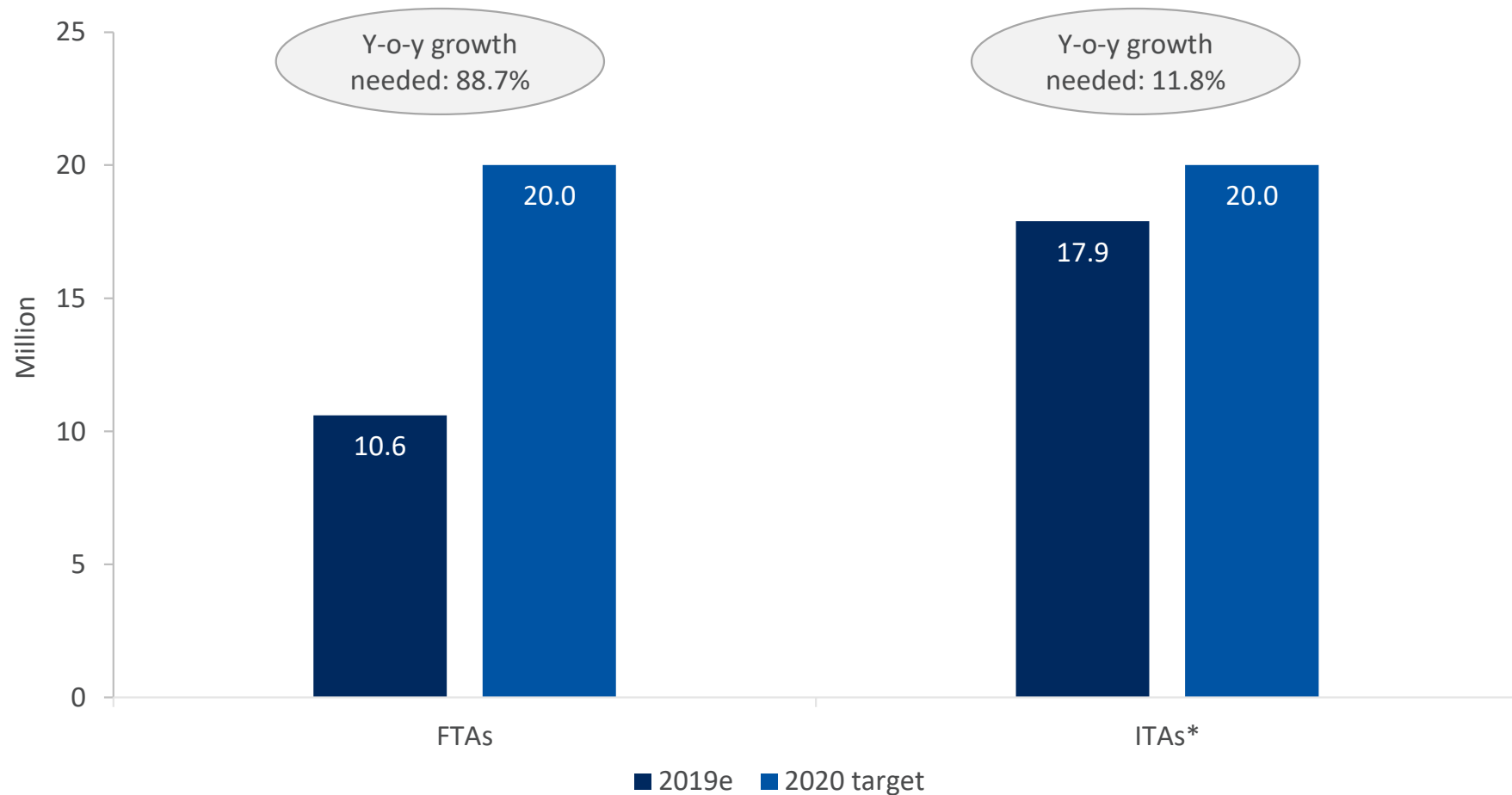
ITAs, 2008–2018



Defining the 20 million tourist target: FTAs or ITAs?

- If the Government of India is referring to 20 million ITAs, the target is achievable.
- If the Government of India is targeting 20 million FTAs, the target is impossible.

20 million tourists – ITAs vs. FTAs



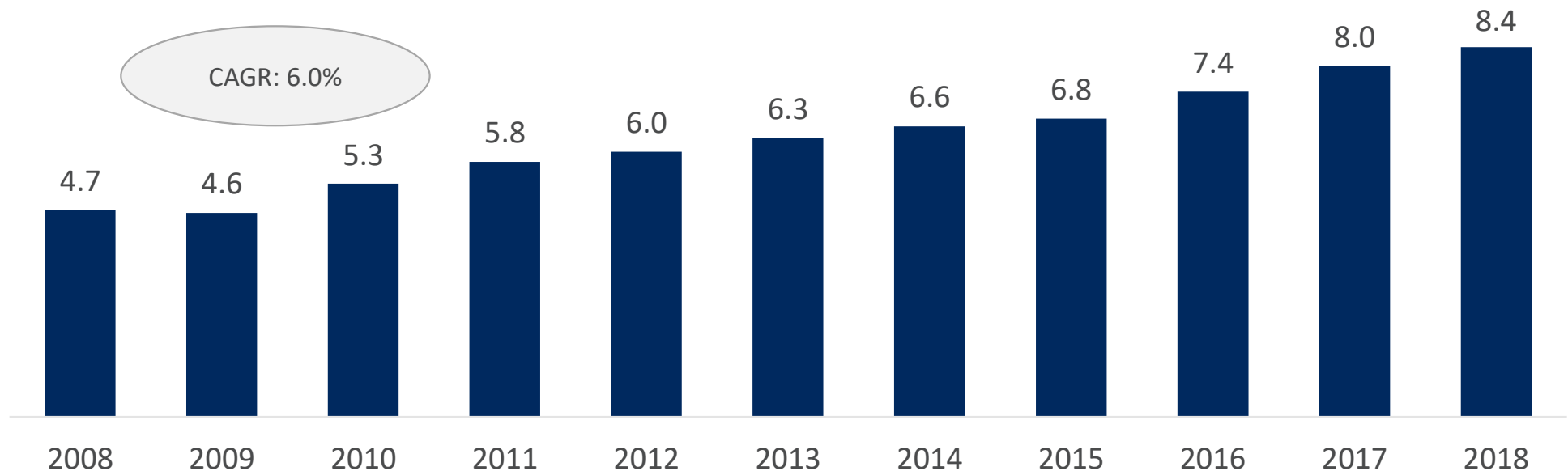
Note: 1) e stands for estimated; 2) 2019 NRI visits are based on CAPA estimates
Source: CAPA India research and analysis; Ministry of Tourism, India

If the tourism industry plans to commit resources appropriately, it must carefully analyse data to understand underlying trends that are relevant for leisure travel

Definition of ITAs, FTAs and adjusted FTAs

	Foreign visitors by air	Foreign visitors by other modes other than air	NRI's
ITAs	✓	✓	✓
FTAs	✓	✓	
Adjusted FTAs	✓		

Adjusted FTAs (million) after excluding arrivals by surface modes of transport, 2008–2018

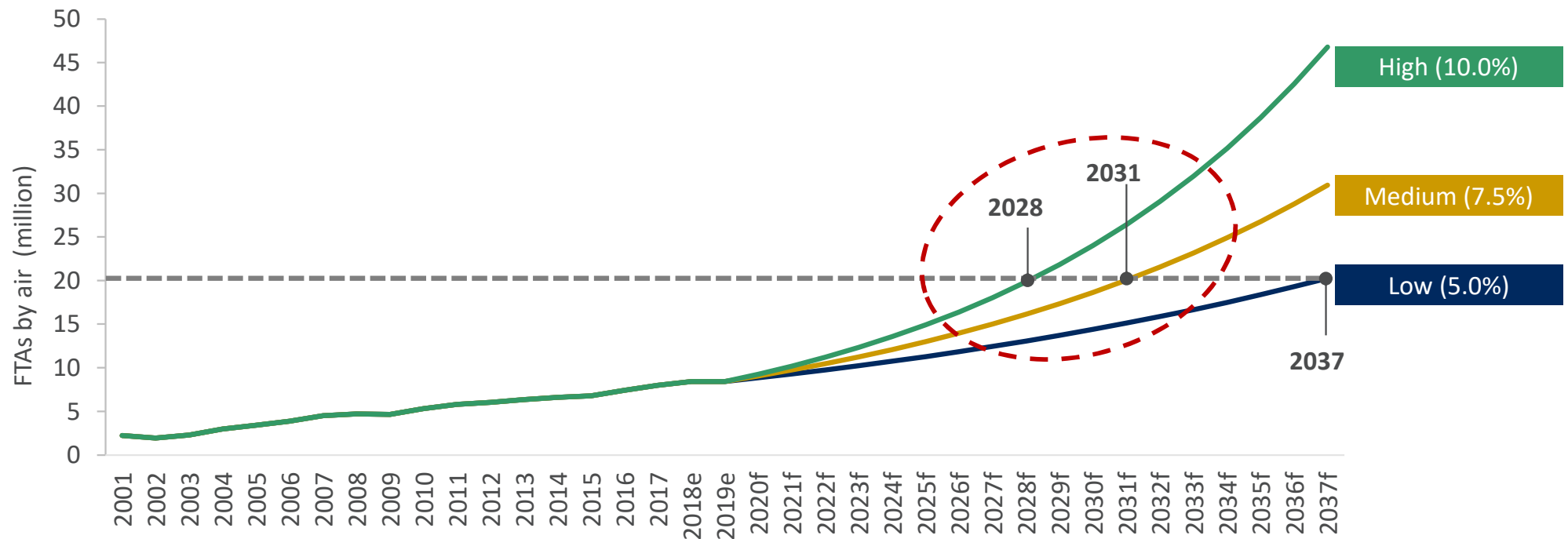


Source: CAPA India research and analysis; Ministry of Tourism, India

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CAPA India forecasts that in a medium scenario, India will achieve 20 million Foreign Tourist Arrivals by air by 2031

CAPA India forecasts for inbound arrivals by foreign nationals (FTAs) by air

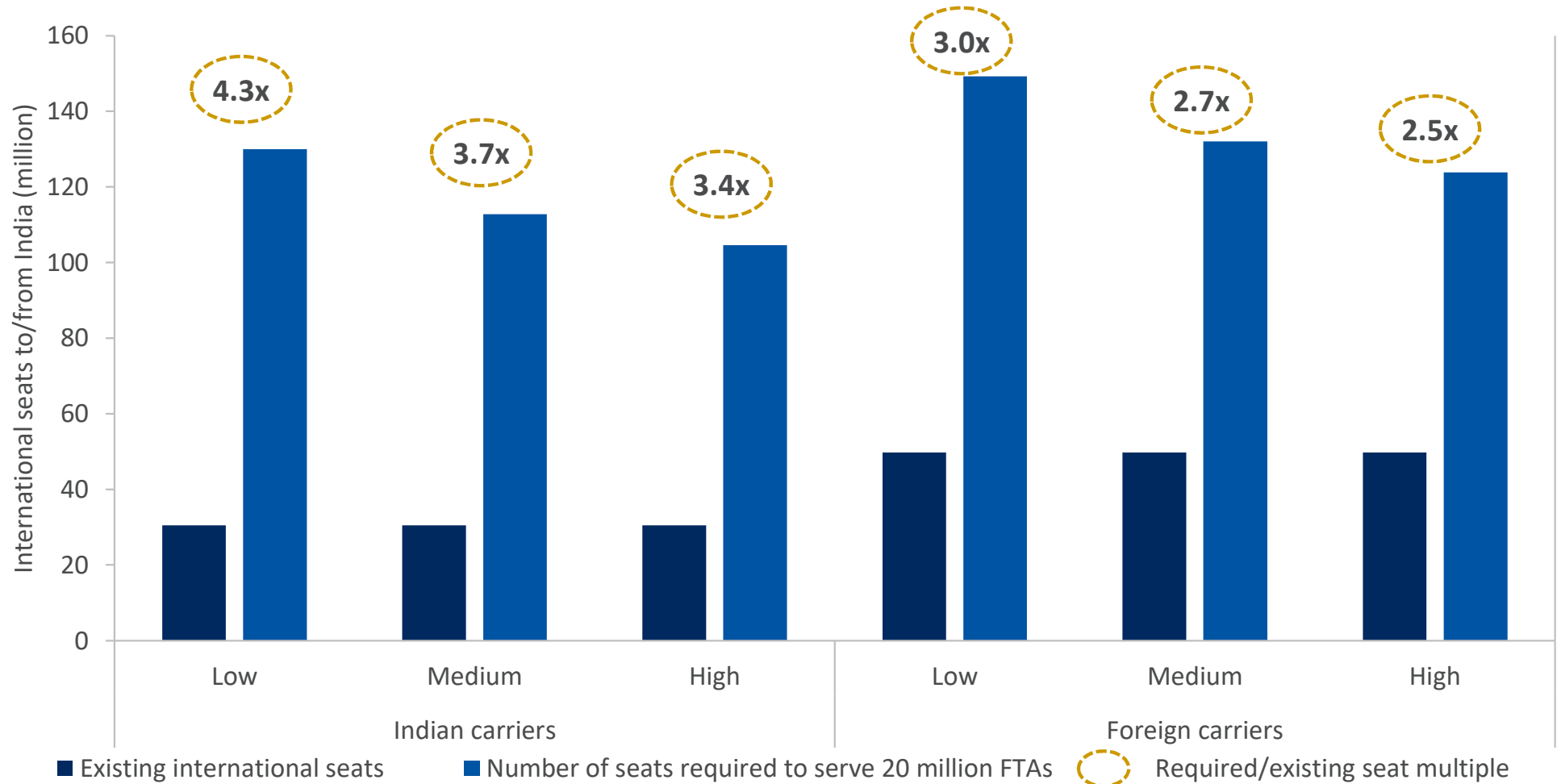


Year	Low	Medium	High
2019e		8.4	
2025f	11.3	13.0	14.9
2030f	14.4	18.6	24.0
2037f	20.3	30.9	46.8














Note: 1) e stands for estimated; 2) f stands for forecast
Source: CAPA India research and analysis; Ministry of Tourism, India

Indian carriers will need to increase seat capacity almost 4x, and foreign carriers almost 3x for India to achieve the 20 million FTA target

International seats required to achieve 20 million FTAs



But most of the leading foreign carriers have largely exhausted their bilateral entitlements to Indian metros

	Access to Metros	Access to 18 Non-Metros
 Emirates		
 Qatar Airways		
 Singapore Airlines		Open Sky
 Malaysia Airlines		Open Sky
 Cathay Pacific		

Conclusion

- A step-up change in FTAs will require the highest levels of strategic determination, commitment and coordination by the aviation and tourism industries, to develop the capabilities and to implement the actions require to achieve the objective.
- The institutional infrastructure - in terms of policy, skills, expertise, strategic planning – must be aligned with India’s ambitions, whilst ensuring the competitiveness of the sector and keeping in mind the carrying capacity of the country as a whole, and of individual locations/attractions to ensure sustainability.
- A new governance architecture needs to emerge, to encourage a professional and results-oriented approach to tourism marketing and development. The Government should focus only on oversight and outcomes in line with the national interest.
- Air access will remain a key strategic barrier to achieving the target of 20mn FTAs. The bilateral policy settings need to be aligned with the tourism targets and a viable and profitable aviation industry needs to exist.

Thank You

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