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AANA JAANA: OPPORTUNITIES FOR INCREASING AIR CONNECTIVITY BETWEEN VICTORIA AND INDIA

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Australia India Institute
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Message from the CEO



As the world opens up again, I am proud to introduce this report from our Institute about the value of air travel connections between Victoria and India. The demand for travel between cities in India, one of the world's strongest economies, and Melbourne, a global city growing at a rapid pace, is already high. With the largest Indian diaspora and strong student representation in major universities, Victoria is well-placed to take advantage of India's powerful position at the forefront of the global economy. India has so much to offer the world, and there is an opportunity to build on established links already in place in Australia.

Yet so much depends on the ability to move people between where they want to go and where they need to be. I want to thank research leaders Dr Surjeet Dhanji and Dr Karen Barker at the Institute for their work on this policy development. As well as trade, education and business developments, there are opportunities for cultural exchanges, tourism and family visits in both Australia and India if the flight options can be maximised to their potential. The sky is the limit, pardon the pun!

Thank you to the Victorian government for partnering and supporting the Australia India Institute to conduct this important research and policy roundtable. We all want to see a bright future for both countries and constructive policy work like this shows just how possible that future can be. Please enjoy reading this work and happy travels the next time you go *aana jaana*.

The Hon. Lisa Singh, CEO
August 2023

Summary

Home to the largest Indian diaspora in Australia, Victoria has a particular interest in building air connectivity with India. For both the diaspora and the state government:

- Direct flights between Victoria and India are key to bringing together friends and relatives by simplifying travel itineraries and shortening travel times.
- Direct flights are also the driver for greater connectivity between Victoria and India fuelled by the promise of economic growth from increased trade and investment, innovation, and knowledge sharing.
- India is one of Victoria's fastest growing international trade partners.
- The recent signing of the historic Australia-India Economic Cooperation and Trade Agreement (ECTA) in 2022, the Migration and Mobility Partnership Agreement and the Mobility Arrangement for Talented Early Professionals Scheme between the two countries beginning July 2023 has given new impetus to the trade relationship and people-to-people exchanges.

Air connectivity plays a crucial role in supporting the movement of goods and services, as well as passengers, between Victoria and India. Re-establishing and expanding flight connectivity with India is a priority for the Victorian Government as international borders reopen after the COVID-19 pandemic.

This report draws on the discussions from a roundtable titled *Aana Jaana: Increasing air connectivity between Victoria and India* held in June 2022 in partnership with PwC and the Australia India Chamber of Commerce. It is supported by perspectives from the Indian diaspora and updated airline configurations.

Aana jaana is a phrase used across India that means here and there, and to-and-fro. The phrase captures the intent to better understand the value of rebuilding the to-and-fro between Victoria and India following the disruptions to international air travel and mobility wrought by COVID-19 pandemic.

This report outlines trends in passenger demand for tourism, education and business travel and trade between Victoria and India and highlights the beneficial impact that increased flight connectivity offers for expanding freight and passenger traffic.

It identifies the following five areas where there is potential to increase aviation connectivity between Melbourne and India:

- Expand and diversify direct routes and services to key cities in India
- Collaborate with other airlines for adding more indirect routes and services
- Encourage participation of low-cost carriers to cater to more price sensitive travellers
- Explore unlocking destination cities in both countries for more seamless connectivity
- Develop partnerships and packages such as code-sharing and loyalty programs that diversify travel experiences

The symbiotic links between air connectivity and economic growth are highlighted in a recent report, [Air Connectivity: Measuring the connections that drive economic growth](#):

... while economic growth is a driver of air connectivity, air connectivity itself is essential for generating and promoting economic growth. The relationship is symbiotic. Governments can enhance air connectivity through favourable aviation policies, and in doing so support growth in their economies (OECD 2021).¹

¹ <https://www.iata.org/en/iata-repository/publications/economic-reports/air-connectivity-measuring-the-connections-that-drive-economic-growth/>

Air connectivity

Direct aviation links between Victoria and India are already supporting the post-pandemic upswing in travel, trade, and investment. Building even stronger air connectivity can facilitate the expansion of trade in goods and services, and the movement of people, between Victoria and India as well as create new opportunities.

Travel in the post-pandemic recovery phase, since the opening of borders, is still low compared to the pre-pandemic period, in part owing to the lag in visa clearances. However, despite the high air fares, the demand for air travel, and for increased air connectivity, between Melbourne and India is increasing.

Air connectivity is defined as the ability and ease with which passengers and freight can reach destinations by air.²

There are a variety of ways to define and measure air connectivity. This report does not aim to delve into the more technical elements of aviation networks, rather the focus is on three key dimensions to connectivity:

1. the number of connections between Melbourne and Indian cities
2. the number and locations of connecting cities across India, and their accessibility to the ultimate destination in India for both freight and passengers, and
3. the accessibility and cost of travel for freight and passengers.



² Corporate Partnership Board, Defining, Measuring and Improving Air Connectivity, Paris: International Transport Forum, 2018, p.7.

Air connectivity between Melbourne and India

INDIRECT FLIGHTS AND CONNECTING HUBS

Prior to the pandemic, most passengers travelling between Australia and India did so via airport hubs in Southeast Asia. In 2019, 88 per cent of passenger traffic between India and Australia was indirect, with 42 per cent of passengers travelling via Singapore and 24 per cent via Kuala Lumpur.

Indirect flights have always involved some degree of time lost transiting through other countries. In the immediate aftermath of COVID-19, transit times were exacerbated by the introduction of additional checks during stopovers to meet COVID-19 travel regulations. These factors, as well as increased risk of contracting COVID-19 in transit, helped drive passenger demand for direct flights, and passengers are prepared to pay extra for the convenience:

... because it's a direct flight and they don't then have to ... conform to that transiting country's COVID regulations or whatever needs to be required... They don't want to necessarily be exposed to COVID while they're transiting through Bangkok. They prefer to actually pay the extra \$300 and go direct.
(C-industry interview)

DIRECT FLIGHTS

Flights between Melbourne and India have more than tripled since the pre-pandemic period, with direct services up from 13 (September 2019) to 47 (September 2022).³ These direct services include all flights with a single flight number, both non-stop flights and flights that stop at least once *en route* to their end destination to pick up or drop off passengers.

The expansion of direct flights between Melbourne and India over the past 12 months has also provided Victorian travellers with opportunities for non-stop travel to and from India. Melbourne currently has two airlines providing 11 weekly non-stop flights to India. In December 2021, Qantas launched a new international route between Melbourne and Delhi, with flights four times a week.⁴ In July 2022, after a 16-year hiatus, Air India recommenced daily flights between Melbourne and Delhi.

In September 2022, Qantas launched a non-stop flight between Sydney and Bengaluru in southern India. The route is promoted as unlocking multiple additional domestic destinations in India through on-flights via the Qantas partnership with IndiGo, India's largest domestic carrier, providing one-stop access to more than 50 Indian cities.



³ <https://business.vic.gov.au/business-information/tourism-industry-resources/tourism-industry-research/international-research>

⁴ <https://www.sbs.com.au/language/punjabi/en/article/qantas-announces-direct-flights-between-india-and-australia-including-new-melbourne-delhi-route/uje7k0tzx>

Air connectivity between Melbourne and India

THERE ARE TWO KEY ISSUES FOR VICTORIA.

The number of connections between Melbourne and Indian airports: Existing passenger demand is already outstripping the seat capacity. From January to August 2022, Qantas and Air India operated 358 inbound non-stop flights from Delhi to Melbourne, with 90,497 seats and 351 outbound direct flights from Melbourne to Delhi (241 of these non-stop flights) with 88,861 seats.⁵ In 2019, demand from India for direct flights was estimated to be 275,000 with only 80,000 seat capacity (PwC). Since the opening of international borders, the growth in demand has been consistently strong. Tourism Australia research confirms huge pent-up demand for travel to Australia amongst Indian travellers.

The number and locations of connecting airports across India: Outbound direct routes are directed to very few major cities, predominantly Delhi, although Qantas has recently launched a non-stop flight between Sydney and Bengaluru. Flights are reaching only a small proportion of the potential direct market. There are opportunities to expand direct routes to other major Indian cities, which can be expected to create new demand and not just redirect existing demand.

NON-STOP FLIGHTS BETWEEN AUSTRALIA AND INDIA

Though there are only two airlines offering nonstop flights between the two countries i.e., Air India and Qantas, the flights are a game-changer as they reduce flying time significantly. The 4 routes offered by Air India and Qantas are:

1. Air India Melbourne to Delhi Flights (MEL-DEL)
2. Air India Sydney to Delhi Flights (SYD-DEL)
3. Qantas Sydney to Bangalore Flights (SYD-BLR)
4. Qantas Melbourne to Delhi Flights (MEL-DEL)

Note: All these non-stop flights to India from Australia also fly to Australia from India.

TATA - AIR INDIA

Air India started operating direct daily flights between India and Australia from 29 August 2022.

Air India will be the first airline to fly the new Boeing-787 Dreamliner to Australia.

DIRECT FLIGHT BENEFITS

- Direct Air India flights are an example of the strength in the Australia-India relationship, and the rapidly expanding people-to-people links between Australia and India.
- It is expected that Indian visitor numbers to Australia to nearly double by 2030.
- Direct flights will benefit many Indian business travellers, students, migrants, tourists and families (VFR).

⁵ https://www.bitre.gov.au/publications/ongoing/international_airlines-operated_flights_seats

Above the wing: People-to-people connectivity

In 2019, almost 400,000 Indians visited Australia and spent \$1.8 billion, making India the seventh-largest visitor market and sixth-largest market by spend. Tourism is a major engine of economic growth. Tourism Australia is forecasting a return to pre-COVID levels of Indian visitors by June 2023. In the longer term, Australia is forecasting 1.2 million Indian visitors by 2035, buoyed by a strong Indian economy and rising affluence, potentially worth \$9 billion a year to the Australian economy.⁶

India is forecasting even higher numbers, suggesting that Australia's market opportunity is even greater. By 2024, India's outbound tourism is predicted to reach 29 million travellers and surpass USD 42 billion.⁷ Australia is currently the tenth top destination for Indian outbound tourism, attracting about 10 per cent of travellers across all modes of travel. Aviation access to Melbourne will be crucial to position the city and regional Victoria as a top destination for the growing numbers of Indian visitors.

INBOUND TOURISM

India is the fastest growing international visitor market to return to Victoria following the reopening of Australia's international borders. Already there has been 87,330 Indian visitors to Victoria in the year to August 2022, reaching 44 per cent of pre-pandemic levels.⁸ Prior to the COVID-19 pandemic, India was among the top five countries for international visitors to Victoria, with the number of Indian visitors doubling in the five years from 2014 to 2019. In 2019, Melbourne was the destination of almost 40 per cent of all Indian visitors to Australia. That year, Victoria welcomed an estimated 173,000 overnight visitors from India, who spent 8.1 million nights, and \$508 million on visits, including \$28 million on visits to regional Victoria.⁹

Indian visitors continue to grow, and the outlook is optimistic:

... As far as airline traffic (with India) goes, it's very healthy. We're always asking for extensions of our inventory that we get from the airlines. So, for instance... They'll give us five seats on every airplane, as an example, where we're outselling easily, and we're having to go back and ask for extensions on that. So, from that perspective, it's clear there's demand there. (C-industry interview)

Tourism Research Australia attributes this resurgence to the increased flight connections between India and Australia and predicts that Indian visitors will "continue to grow at pace supported by improved air connectivity."

VISITING FRIENDS AND RELATIVES (VFR)

Family connections are fuelling the return of Indian international visitors to Victoria in the aftermath of the pandemic. Visiting friends and relatives (VFR) was the dominant purpose of travel by 41 per cent of all international overnight visitors to Victoria in the year ending June 2022.¹⁰

With direct flights, the proportion of Indian visitors travelling in 2023 to Victoria for VFR purposes is likely to have strong growth gaining parity with 2019 arrivals.

There is pent-up demand from the Indian diaspora to reconnect with family, especially aged parents, with post-COVID intentions to stay socially connected and travel more frequently.

Victoria's tourism operators are reporting large unmet demand from the Indian diaspora:

Visiting friends and relatives' (VFR) traffic ... is the predominant travel pattern from India to Victoria... They've been getting on their planes. The planes have been full, and we just don't have enough capacity at the moment coming through. (N-industry interview)

INDIAN DIASPORA THE FASTEST GROWING COMMUNITY IN VICTORIA

- There are around 770,000 People of Indian Origin living in Australia, and in 2021, India became the largest source of skilled migrants to Australia, and the largest source of international students to Australia.
- In 2021, India was the tenth largest source of visitors to Australia, with 159,000 people travelling, and around 180,000 Australians visit India each year.

⁶ <https://www.dfat.gov.au/sites/default/files/india-economic-strategy-update-report.pdf>

⁷ Nangia Andersen, *Outbound Travel and Tourism: An Opportunity Untapped*, FICCI July 2022.

⁸ <https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release>

⁹ https://business.vic.gov.au/_data/assets/pdf_file/0009/1924956/Victorias-Visitor-Economy-performance-results-year-ending-December-2019.pdf

¹⁰ <https://business.vic.gov.au/business-information/tourism-industry-resources/tourism-industry-research/international-research>

Above the wing: People-to-people connectivity

Flights connectivity between Victoria and India has boosted tourism to Victoria ... the aana. Encouraging Indian tourists to visit Victoria can create a positive perception of the state and its offerings, promoting bilateral trade opportunities (Travel Agent)..

Janaa: but there is huge untapped potential for return tourism to India. Indian tourists, impressed by their experience, may become brand ambassadors for Victoria, leading to increased trade partnerships, building strong cultural and business connections (N-industry interview).

through tourism, Indians can foster mutual understanding, trust, and collaboration, benefiting both Victoria and India in the long run (Diaspora participant).

EDUCATION

Travel from India to Victoria for education purposes is also on an upwards trajectory as the education sector recovers from the pandemic. India is one of the largest source countries for international students in Victoria. Indian students make up a quarter of the 227,185 international students in Victoria across all education segments, with 58,450 Indian students enrolled in Victorian institutions in 2021 (just behind China). Almost half of Victoria's Indian students (23,764 students) were enrolled in universities and higher education institutions. Unusually, in 2021, an even greater number of vocational education and training students from India studied at Victorian TAFEs and vocational education and training (VET) providers, with 33,843 students enrolled.¹¹

During the pandemic, while Australia's international borders remained closed, a sizeable number of Victoria's Indian students were studying online in India. Those students are now returning to Victoria, driving up demand for flights. The 2021 Indian student enrolments numbers are about 10,000 fewer than pre-pandemic levels (67,256 in 2019 and 68,600 in 2020) and direct flights with India can play a role in the recovery of the international education sector, one of Victoria's largest service-based exports.¹²

It's the diversity of Victoria's educational universities and institutions that offer a wide array of courses catering to different fields and levels of study that attract Indian students seeking specialised education ... Victoria's education sector is growing reputation for its research and innovation. It's this that's leading to increased air travel ... direct flights for some, low-cost flights for others (Migration Agent).

BUSINESS TRAVEL

Victoria's India Strategy recognises the role that government investment in air connectivity must play to support the movement of business travellers and business operations between Victoria and India.

In 2019, there were almost 40,000 Indian business visitors to Australia (10 per cent of total Indian visitors), but this market segment has been slow to recover and business travellers currently account for only 2.3 per cent of all Indian visitors to Australia in the year to June 2022. Despite the current small numbers, Indian business travel is expected to rally, spurred by returning skilled migrants and the Indian business diaspora seeking to build business links back to India and links between Indian corporates based in Victoria and their head offices in India.

Victorian Government initiatives are also driving business travel. In 2020, the Victorian Government launched a \$3 million fund in Mumbai to encourage large-scale Indian film and television projects to the state and attract Indian visitors to the state.¹³

A growing number of Indian corporates are establishing offices in Victoria. In August 2022, Bengaluru-based tech company LeadSquared, announced the opening of an office in Melbourne.

Other notable companies include SBI, Cipla, Lupin, Sun Pharma, Motherson and Wafa Global as well as several leading Indian technology companies. These include Infosys (with great exposure in Melbourne and in international broadcasts as the digital innovation partner of the Australian Open), Wipro, Tech Mahindra, HCL Technologies, Cyient, Cognizant, Ramco Systems and Tata Consultancy Services. These IT companies are well-connected back into IT hubs in Bengaluru and elsewhere in India, through both P2P and B2B connections.

¹¹ Australian Government Department of Education data.

¹² ABS International Trade in Services by State. Financial Year 2018-19. Cat. No. 5368.0.55.033

¹³ <https://vicscreen.vic.gov.au/news/doors-open-for-blockbuster-indian-productions-to-be-made-in-victoria>

Above the wing: People-to-people connectivity

With the signing of Economic Cooperation Trade Agreement (ECTA), there are signals that the business activities of these companies will trigger two-way business travel at scale between Victoria and India. For example, the Tata Group, also new owner of Air India, has forecast plans, from 2025, to recruit students from Australian universities to work and gain experience at its headquarters in India, and already there is regular business travel between Tata's offices in Victoria and India:

Corporate Tata Consultancy Services (TCS) sends its entire Australian teams to five Indian cities for induction and teamwork meetings. It also offers opportunities for internships. (T-industry interview)

Australian businesses with a presence in both Victoria and India, such as HSBC and Commonwealth Bank are also looking to flight connectivity to build new platforms of engagement.

The key challenges to inbound business travel are lengthy visa processing timeframes and Australia's Skilled Occupation List which requires realignment with current labour market needs. Both areas are earmarked for immediate action and further work in the 2022 Skills Summit Outcomes document.¹⁴

SPORT AND EVENTS TOURISM

Indian visitors to Victoria are also attracted by major sporting events. The Melbourne Cricket Ground regularly draws large crowds of Indian tourists to Melbourne. Indian cricket fans have flocked to Melbourne in 2022 to attend the ICC T-20 Men's World Cup, with an estimated 16,000 Indian visitors to Australia. Passenger traffic from India increased because this event coincided with India's Diwali and school holidays, wedding and honeymoon season, which can be a productive model for timing future sporting events.¹⁵

Sporting sponsorship opportunities exist for partnering with Indian businesses in Victoria. For example, the Melbourne marathon could explore opportunities for Indian partnerships, inspired by Tata Consultancy Services (TCS) which will spend \$320 million over the next eight years on marathon sponsorships and other sports events.

The Victorian Premier has recognised the role of sport in building people-to-people connectivity.

"Sport plays an important role in the cultural traditions of all Victorians and we're backing sporting events that encourage the community to get together, keep active and stay involved in their local communities" (Premier Daniel Andrews.)



¹⁴ <https://treasury.gov.au/sites/default/files/inline-files/Jobs-and-Skills-Summit-Outcomes-Document.pdf>

¹⁵ http://timesofindia.indiatimes.com/articleshow/84623876.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Above the wing: People-to-people connectivity

TOURIST CAMPAIGNS AND TRADE FAIRS

There are opportunities for Victoria's tourist sector to coordinate with Tourism Australia and with India in tourism trade fairs and campaigns to drive two-way tourism. India has been promoting its *Incredible India* campaign through virtual tourism trade fairs in Australian cities as well as overseas. In February 2022 more than 20,000 Australian residents came back from trips to India, accounting for 18 per cent of all resident returns (ABS data).

...Trade fairs to promote a destination is an absolute must have if the government is focused enough on tourism. Now in terms of organizing one and getting people to obviously come together, it's actually a lot easier than one might envisage, because they're all looking for opportunity. (C industry interview)

We're looking to speak with the likes of Incredible India and the Indian tourism boards. They're more state based. To do exactly what I'm suggesting to you from a Victorian perspective. (C industry interview)

The easiest way to do this is at a trade fair or a tourism type spotlight where we can showcase India. We are more than willing to put in some money of our own to actually promote that fact and drive some business. So, we're certainly keen, but we need everyone else's assistance to make that happen as well. (N industry interview)

Such events encourage tourism businesses to Victoria, and offer an opportunity to highlight Victoria as a tourist destination.



Below the wing: the two-way trade in freight

Recent years have seen remarkable growth in the trade in goods and services between India and Australia. In 2021, India was Australia's 10th largest import market, worth \$9.7 billion, while the Indian export market was valued at \$24.6 billion, coming remarkably close to realising the aspirations of the *India Economic Strategy* to lift India into Australia's top three export markets (it is currently 4th largest).

India's Commerce and Industry Minister Piyush Goyal has proposed that India and Australia look at boosting bilateral trade to \$100 billion by 2030, an ambitious target inspired by the signing of ECTA in April 2022.

Increased aviation links are essential if Victoria is to capitalise on the growth opportunities with India under ECTA. India is already Victoria's the fastest growing market. The two-way goods trade between Victoria and India is now worth \$1.97 billion (ABS), surpassing pre-pandemic levels.¹⁶ Victorian exports to India are worth \$460 million.

Victorian businesses, keen to take advantage of the opportunities afforded by the strong Indian economy and trade liberalisation, are lobbying for increased flight connectivity with India:

...India's been growing at double digit growth for Victoria over the last five plus years. It's our fastest growing market. It yields about 20 per cent per annum.

... So, it's a significant opportunity every time we meet with Indian airlines or Australian airlines, we talk to them about the strength of the Indian market and the airlines in between, the ones that service the Indian market. We're certainly always advocating for increased air capacity. (N-industry interview)

... with direct connectivity, diaspora initiatives, such as investment in India, trade opportunities or philanthropic efforts, can unlock its full potential as catalysts for bilateral partnerships and development (Diaspora businessman).

HIGH-VALUE LOW-VOLUME EXPORTS

During the pandemic, with international borders closed to passengers, fleets re-organised to meet increased demand for air cargo. With the resumption of passenger traffic, air cargo volumes require additional dedicated freight fleets. While reduced freight services persist, trade opportunities between Victoria and India lie in high-value low-volume cargo to maintain sustainability on commercial routes:

... it could be fashion, sports apparel, it could be electronic components; these are all high value. (G-industry interview)

The e-commerce market includes pharmaceuticals and cosmetic products. Freight has enormous potential for growth in these products.



¹⁶ <https://global.vic.gov.au/explore-our-global-markets/india> ; <https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/trade-statistics/trade-statistical-pivot-tables>

Below the wing: the two-way trade in freight

FOOD AND FIBRE

One of the sectors for which direct routes are crucial is perishable foods. India is one of Victoria's largest export destinations for food and fibre and this market is experiencing growth in e-commerce, with demand for high quality and gourmet products.¹⁷

Direct flights are making it possible to carry perishable goods between Melbourne and Delhi for onward delivery to other parts of Victoria and India. However, the accessibility to airports and cost of freight remains a challenge:

... when Woolworths and Coles ask for South Indian food products as samples, retailers in India ask agents to send them as FOB ... because the air-freight costs are prohibitive. ... If the Victorian state was to offer some assistance, we could build a new market, ... and expand it to other Indian states ... the business is there but the cost is too high. (P-diaspora business)*

*FOB: Free on Board or Freight on Board is when the buyer pays for shipping costs.

The cost of freight was also raised as an issue for Victorian outbound dairy products and regional produce due to the time and cost of sending freight first by train to Melbourne Airport and then by air to India. There is an opportunity to develop regional airports, such as Gippsland airport, which is proximate to dairy production, into hubs for faster airfreight transfers to either Melbourne or Avalon airports.



¹⁷ https://agriculture.vic.gov.au/_data/assets/pdf_file/0010/849718/FF-Export-PerformanceReport_20-21_web.pdf

Areas of opportunity to expand flight connectivity

EXPAND AND DIVERSIFY DIRECT ROUTES AND SERVICES TO KEY CITIES IN INDIA

India encompasses many different markets that can be better tapped by increasing flight connectivity from Melbourne to more Indian cities, including south Indian cities, such as Bengaluru, Chennai and Hyderabad. Travellers from cities like Amritsar, Chandigarh in north India that now have airports and regular flights from Singapore, are seeking links to Melbourne, Victoria.

...Better connectivity with more cities, and especially with cities in south India, will drive growth in Indian visitors across all market segments. Victoria already has offices in Bangalore (Diaspora businessman).

Tourism is growing in Victoria ... more tourists from India come to visit Victoria because of direct flights now. Families and friends are flying more and more. Most visitors come from Gujarat and Punjab. If there were more flights to these states, tourism numbers would improve (Diaspora participant).

Having to first catch internal flights, from Mumbai then to Delhi airport for the Delhi-Melbourne direct flight, adds on many more hours of travel with fears of luggage not arriving on time.

Mumbai 2 airports are so far apart different terminals you can get lost and miss your flights. Taxis charge you horrendous amounts to take you to the right terminal ... then there is checking luggage and undergoing security for international flights (Diaspora participant).

Currently there are no direct flights linking Melbourne to airports in southern India despite almost 30 per cent of the 2019 Indian visitor traffic originating from south Indian cities, and almost 50 per cent of business visitors. Qantas recently launched a direct service between Sydney and Bengaluru in the state of Karnataka, and this is the only direct Australian connection to south India.

AIR INDIA PUNE-MUMBAI REVIVING LOST INTERNAL ROUTES

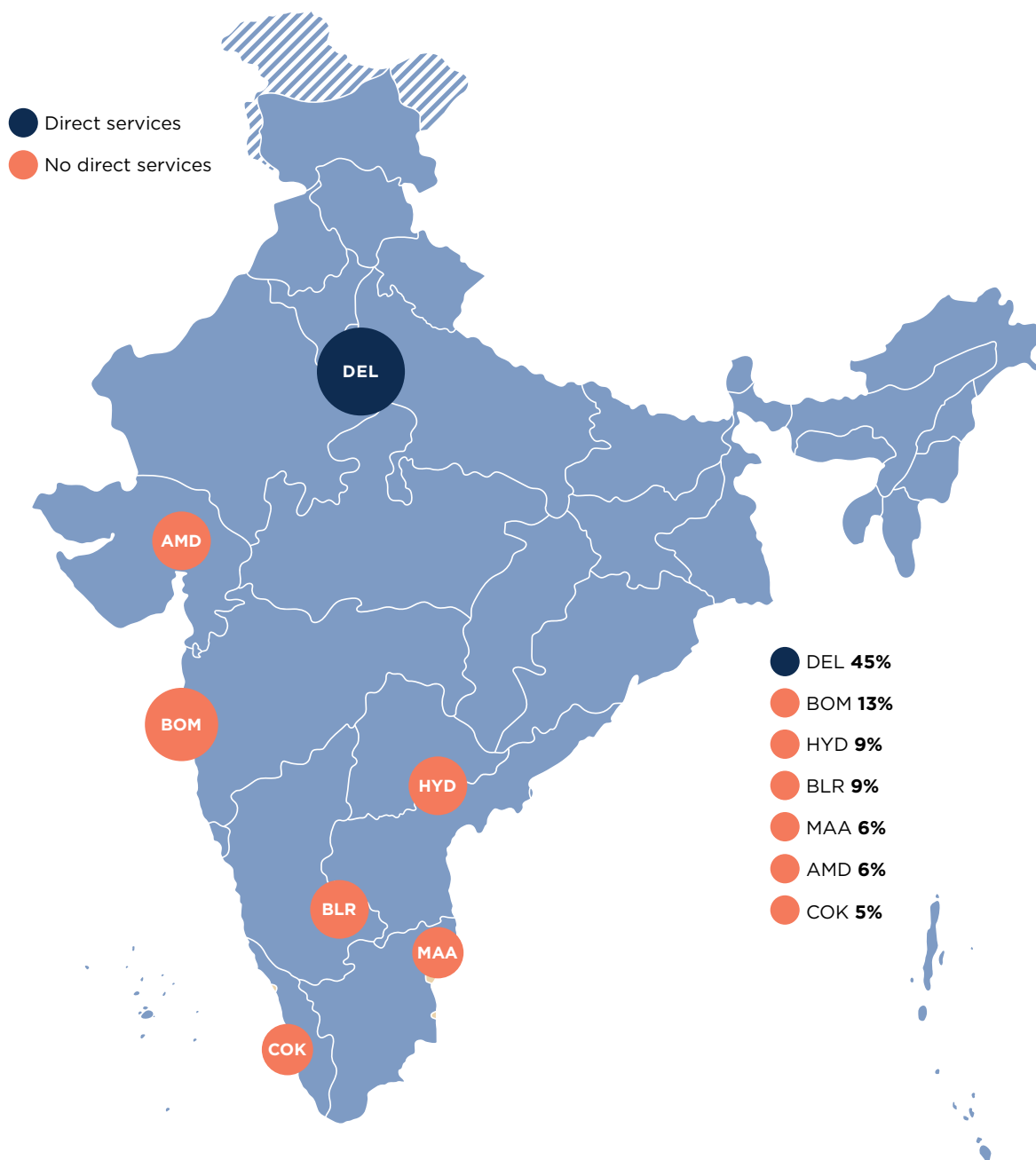
- Air India will launch direct flights between Pune and Mumbai operating six days a week, excluding Saturdays, deploying Airbus A319 — the smallest aircraft in its fleet — on this sector.
- Today, there are no direct flights fly between the two cities. Air India has become the first airline to provide direct connectivity with the revival of its old Mumbai-Pune route.
- For businessmen, skilled migrants and students from Pune and Mumbai, this news is welcoming as direct onward flights to Melbourne becomes more seamless.

The lack of a direct connection into southern India is significant. Victoria's *India Strategy* advocates pursuing the shortest air route between Melbourne and southern India. It highlights the opportunities to increase engagement with multiple states in south India: Karnataka, Kerala, Telangana, Andhra Pradesh and Tamil Nadu.

These are origin states for many of Victoria's education and tourist visitors, as well as key states for the movement of freight and for business opportunities in ICT, infrastructure, urban design, water management, clean energy, green technologies, logistics, advanced manufacturing, aerospace and defence, healthcare and pharmaceuticals.

Victoria's Government Trade and Investment Office is based in Bengaluru in the southern state of Karnataka, and a direct flight between Melbourne and Bengaluru would support the Victorian Trade Commissioner's work to facilitate trade and investment between India and Victoria.

Target market: As the India market grows, there is opportunity to grow direct services between the two countries



2019 Key origins of passengers travelling from India to Melbourne.
Source: PwC analysis of Planet Milanamos 2019

Expansion of flight connectivity should also consider Mumbai and second and third tier cities in India, such as Chennai and Kolkata, which can give Victoria a point-to-point market advantage.

The dominant suppliers of indirect routes into Melbourne airports could explore opportunities to increase and expand the direct services of those airlines, including low-cost carriers, other Australian carriers, and Indian carriers such as IndiGo and Vistara looking to expand their international connectivity.¹⁸ Vistara is already partnering with Singapore Airlines offering links to multiple cities within India.

Similar collaborations with other airlines such as Sri Lankan, Thai, Cathay Pacific and Malaysian Airlines would expand the services inbound and outbound for travellers.

Implementation of direct routes with additional major cities can create new demand, not just redirect existing demand. For example, when British Airways implemented new routes to US cities Nashville and Austin, in addition to its traditional destinations of Boston and Houston, these routes to second tier cities doubled the existing demand.

¹⁸ https://www.linkedin.com/pulse/india-australia-formalise-open-skies-martin-artenstein/?trk=portfolio_article-card_title

Areas of opportunity to expand flight connectivity

COLLABORATE WITH OTHER AIRLINES TO ADD MORE INDIRECT ROUTES AND SERVICES

India is well-positioned as a hub for regional market connectivity and onward flights. Singapore Airlines is already successfully catering to the Indian diaspora demand in Victoria and Australia. It is a major carrier for Indians travelling from Australia to India because it has connections to multiple Indian cities.

The Singapore Airlines group serves 13 cities in India. In 2019, the airline carried more India-Australia passengers than any other operator. Discussions with the airline regarding onward flights are already in progress:

Singapore Airlines address the biggest Indian diaspora demand in Australia, which is Melbourne, it is just a no-brainer. So, they've responded... And this only happened probably a week and a half ago (in 2022). They've got obviously an internal process and everything, but they're absolutely considering it. They appreciated the fact that we raised it up for them. (C industry interview)

Singapore's Changi Airport is a hub for more indirect routes and services for the Indian Diaspora.

OTHER AIRLINES COULD ALSO CONSIDER ADDING MORE INDIRECT ROUTES AND SERVICES. ENCOURAGE PARTICIPATION OF LOW-COST CARRIERS

Low-cost carriers can help to expand market demand and Indian destinations. In India's price-sensitive and segmented market, the Low-Cost Carriers (LCCs) present an attractive low-cost option that appeals to business travellers, VFR, and students. These LCCs operate connecting routes on airlines such as Scoot, Tigerair, Malaysia Airlines, Thai Airways International, AirAsia, Jetstar, and Sri Lankan Airlines.

There may be potential to explore with AirAsia or other LCCs using Melbourne or Avalon Airports to provide direct flights into India. Currently AirAsia is flying into Melbourne Airport (rather than Avalon) and Scoot is operating regular services at lower fares although pricing has not returned to pre-COVID levels.

In the LCC context, connectivity matters more than service:

As people reach their destination in shortest amount of time, they do not generally care about the quality of food or other facilities (International Student).

Sri Lankan Airways is good, provides a quick cheap flight to Southern India via Colombo. There are less cancellations ... and sometimes you can even have a short holiday if flights are cancelled (International Student).

Avalon Airport is host to several international LCCs. Air Asia has moved its operations to Melbourne's Tullamarine Airport but is reviewing a return to Avalon Airport. This carrier offers travellers connectivity to its extensive international network as well as providing well-timed links to the south India cities of Hyderabad and Tiruchirappalli that avoid extensive layovers in Delhi.

UNLOCK DESTINATION CITIES IN BOTH COUNTRIES FOR MORE SEAMLESS CONNECTIVITY

Hub networks can expand connections to multiple cities across India for both freight and passengers. Singapore's Changi Airport is a major transit hub and a gateway between Australia and India. In addition to Singapore Airlines there are many other airlines, including LCCs, using Changi Airport that offer multiple connections to India and Victoria.

International airlines are now tapping into domestic Indian airlines offering more connections ... the connect is great (Diaspora participant).

As demand grows, particularly in the summer seasons, Qantas and Air India have indicated that more direct services will be included.

Areas of opportunity to expand flight connectivity

DEVELOP PARTNERSHIPS AND PACKAGES THAT DIVERSIFY TRAVEL EXPERIENCES

Partnerships with domestic carriers can attract new travellers from both countries. Airlines can work with domestic partners in both Australia and India for domestic transfers, and through code-sharing and loyalty packages. On its new Sydney-Bengaluru route, the Qantas partnership with IndiGo, India's largest domestic carrier, provides one-stop access to more than 50 Indian cities. Indian airlines flying directly to Australia could consider working with an Australian domestic partner to bring travellers to more cities across Australia.

Tourism partnerships and packages can attract more travellers. Tourism built around Victoria's major sporting or cultural events can be packaged for Indian tourists and timed to coincide with India's Diwali and school holidays, wedding and honeymoon season. Other packages could be designed to cater for Indian visitors seeking to escape the monsoon heat during the traditional winter lull in the Australian tourism market (July-August):

Seasonality helps in terms of feeding some of our low season... you know, being in Delhi in scorching heat and they're probably looking for a change... (N-industry interview)

... we complain it's cold here, but if you're used to hot weather every day, it's nice to have a change. (P-diaspora member)

A high-proportion of travellers that book flights from India to Victoria do not link air travel with accommodation and sight-seeing. There are opportunities for better promoting partnerships between airlines and hotels to offer travel packages given the vast range of coastal and countryside tourism offerings. For example, the Tata Group, which owns Air India, also operates hotel chains that offer diverse collaboration opportunities. The sheer volume of international Indian students to Victoria also provides prospects for exploring 'Visit Victoria' tours for first time arrivals.

CODESHARE AGREEMENT WITH INDIGO

- Qantas has entered into a codeshare agreement with IndiGo. IndiGo is India's largest and one of its most trusted airlines with great connectivity. IndiGo connects to all major cities in India and even serves a few smaller ones like Goa, Pune, and more.
- IndiGo offers services from airports like New Delhi, Bengaluru, and Singapore allowing passengers to seamlessly move from one carrier to another while in transit to 50 different cities and more than 4,000 destinations.

Securing direct routes

Securing direct flight routes is no easy task. It requires coordination and agreement amongst multiple stakeholder groups, including Indian and Australian airlines and code-share partners, airports, CAPA Centre for Aviation, state governments and tourism organisations.

Considerations include:

- **Government agreements:** In 2018, India and Australia signed an open sky agreement which allows airlines on either side to offer unlimited number of seats to six Indian cities and six Australian cities.
- **Type of aircraft:** Airlines will have to upgrade their planes for direct flights between Victoria and India with fuel capacity for long routes such as Melbourne-Delhi or Melbourne-Bengaluru. Qantas and Tata have both already invested in new fleets.
- **Incentives:** The Air India and Tata merger has demonstrated that initial government investment will be required until demand helps to overcome initial price sensitivities.



The value of direct routes

Investment in air connectivity is crucial to the movement of travellers, business operations and the expansion of trade in goods and services between Victoria and India.

The correlation between expanding direct flights and increasing visitor traffic from India has been well-demonstrated. Between 2004 and 2009, when Qantas operated two direct flights into India and from India to Sydney, Indian visitors to Australia grew at a CAGR of 22 per cent year on year and when these direct flights were discontinued, arrivals dropped to 9 per cent. When Air India implemented this route between 2014 and 2018, arrivals rose by 15 per cent.

Today, India is the fastest growing emerging economy in the world, with a large aspirational middle-class, rising disposable income and increased appetite for outbound travel. India delivered six years of double-digit growth (2014-19) and was the fastest growing inbound market for Australia for three consecutive years (pre-Covid 2017-2019). India is also the first tourist market to recover to pre-COVID levels, with 366,000 in the 12 months to April 2023. Tourism Australia continues to stay invested in India and aims to further build Australia's attractiveness to the Indian market.

The recent expansion of direct flights between Victoria and India is providing a springboard for economic growth from increased trade and investment, boosting business collaborations and partnerships, and enabling people-to-people connections to flourish.

There is a confidence in the continued strength of demand for flights and the responses of airlines to cater to this demand:

The 1 million strong Indian diaspora in Australia, increased preference for Indian students to study in Australia and signing of the Migration and Mobility Partnership Agreement together will ensure sustained flow of tourists between the two countries (Diaspora participant).

Then there is the question of tourism ... and 'janaa'. Given the Australian Government's increased presence in India, signing of the ECTA, ambitious goal to increase bilateral trade to A\$100 bn, along with other factors ... all of these will open up several business opportunities for Victorians (Travel Agent).

Business opportunities are there ... There is another matter ... on India literacy. Culture training on how India operates, Indian consumers' ways and means to get business done in India, is extremely critical ... and an ongoing process ... given India's diversity, fragmentation, and sheer size (Businessman participant).

Air India has been operating successfully on the India - Australia route since 2014 and have increased their capacity to fly daily between New Delhi to Melbourne and Sydney. Their historic order of 470 aircrafts with an option to buy 370 additional planes will certainly provide an opportunity to commence new routes, especially into Australia. India's fast COVID-19 recovery, double digit growth, and the middle class's disposable income and appetite for travel to Australia ... these are also critical factors that would justify adding further capacity on the India - Australia route, to capitalise on the India opportunity (Industry stakeholder).

The five areas of opportunity to expand flight connectivity listed in this report set out how the sector can capitalise on this momentum and grow the *aana janaa* between Victoria and India.

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PARTICIPATING ORGANIZATIONS:

ANZ India Business Chamber
Austrade
Australia India Chamber of Commerce (AICC)
Avalon Airport
Consulate General of India, Melbourne
Global Victoria, Bangalore
Global Victoria (MENA)
HSBC Bank
Infosys
Indian Student Association of Victoria
Invest Victoria
Luxury Escapes
Melbourne Airport
PwC
Tata Consulting Services
Tourism Australia
Victoria Government
Visit Victoria



Abbreviations

AI-ECTA	Australia-India Economic Cooperation and Trade Agreement
B2B	Business to business
LCC	Low-cost carrier
P2P	People to people
VFR	Visiting friends and relatives



Appendix: The Victorian advantage

Melbourne ahead of Sydney	Melbourne attracts the highest share of air passengers both arriving and departing into Australia from and to India (ahead of Sydney)
Victoria is the destination of almost 40 per cent of all Indian visitors to Australia	India is among the top five countries for international visitors to Victoria, with the number of Indian visitors doubling in the five years from 2014 to 2019
Victoria's sporting and cultural event tourism	The Melbourne Cricket Ground is a drawcard for Indian tourists to Melbourne, and Victoria's great sport and cultural events calendar can be leveraged to attract more Indian tourists
Victoria is home to the largest Indian diaspora	As home to 276,700 (40 per cent) of Australia's Indian diaspora, the largest diaspora community in Australia, Victoria is in prime position to tap into the burgeoning VFR, education, and business visitor market from India
Almost half of Australia's Indian students live in Victoria	There are almost 60,000 Indian students living in Victoria, 45 per cent of Australia's Indian international student cohort
Many Indian companies have offices in Victoria	Victoria hosts a large and growing number of major Indian corporations, which drives two-way business travel
India is Victoria's the fastest growing trade market:	Increased aviation links are essential if Victoria is to capitalise on the growth opportunities with India under the Australia India Economic Cooperation Trade Agreement (ECTA) and its vision of \$100 billion two-way trade by 2030
Melbourne airports have capacity	To handle the growing passenger and freight traffic, the Victorian government is constructing a third parallel runway at Melbourne Airport to facilitate an additional 136,500 aircraft movements and 23 million more passengers each year by 2046 (40 per cent more)
Victoria is the 'freight state'	<p>Melbourne Airport is Victoria's key freight and logistics gateway, handling more than 30 per cent of Australia's total air freight market and 36 per cent of exports.</p> <p>With close connections to major transport infrastructure, Melbourne Airport has capacity to respond to expanded demand for inbound and outbound freight from India.</p> <p>Avalon Airport is also expanding capacity, forecasting the development of a prime neighbouring site as an industrial precinct for manufacturing, transport, logistics, wholesale, and airport-related businesses.</p>



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