AIRLINE MANAGEMENT IN INDIA

RAJESH VETCHA

15th March, 2024

Aviation Infrastructure

454 AIRPORTS AND AIRSTRIPS - (includes Operational, Non- Operational, Abandoned and Disused Airports)

- 148 are owned & operated by AAI
- 27 international, 12 custom airports, 28 civil enclaves
- Scheduled domestic air services - available from 82 airports
- Crores Passengers
- 17% growth – highest in the world

Growth Rate Projections (for next 5 yrs)

- 15% p.a (Passenger Traffic)
- 11.4% p.a (Cargo Traffic)

All data from government websites.

- 1911 FIRST COMMERCIAL FLIGHT AIRMAILS FROM ALLAHABAD TO NANI (10 KM)
- 1932 the aviation department of Tata Sons Ltd. Established
- 1938 Tata Airlines (successor to aviation division of tata son)
- 1946 Tata Air Lines converted into a public Company and renamed

Air India Limited

- 1948 Air India International incorporated
- 1953 Nationalization of Aircraft Industry (After merger of airlines)
- Air India (serving the international sectors)
- Indian Airlines (serving domestic sectors)

- **1986 PRIVATE SECTOR PLAYERS PERMITTED AS AIR TAXI OPERATORS**
- **1992 – Open Skies Policy**
- **Players including Jet, Air Sahara, NEPC, East West,**

Modi Luft, etc., started service

- **2005 - Entry of low-cost carriers, Indigo and Spice Jet**
- **As of date – Almost Duopoly – Air India and Indigo with minor presence from Akasa, Spicejet and a few local airlines.**
- **Last 30 years, 27 airlines have gone bust.**

MINISTRY OF CIVIL AVIATION

- Responsible for the formulation of policy, development and regulation of Civil Aviation. Its functions also extend to overseeing airport facilities, air traffic services and carriage of passengers and goods by air

Autonomous Organizations:

- Directorate General of Civil Aviation (DGCA) - Promote safe and efficient Air Transportation through regulation and proactive safety oversight system
- Bureau of Civil Aviation Security (BCAS) - Regulatory authority for civil aviation security in India
- Airport Authority of India (AAI) - Accelerate the integrated development, expansion and modernization of the operational, terminal and cargo facilities at the airports
- AERA – Airport Economic Regulatory Authority

Investment Regulations for FDI:

Airports

- **100% for green field operations**
- **74% for existing airports - 100% with special permissions**
- **100% tax exemptions for 10 yrs.**

Airlines

- **49% in domestic airlines - 100% for NRI's**
- **74% in cargo & non-scheduled airlines**

Issues on hand for Airline Management:

- Leasing Issues – The framework till recently did not support the effort due to lack of leasing companies in India and by a proper framework it can bring proper cost structures, fleet flexibility, operational efficiency and help spread risks. While leasing structures can make the airline it also depends on the model and will need to have a balanced fleet depending on the market strategy and growth plans.

- Lack of Effective Competition: Deregulation alone did not lead to a competitive market in India's airline sector. It instead resulted in the dominance of a few major player through 30 leading to limited choices and higher prices for consumers except for a few years when Air Deccan set the trend for low-cost carriers. Current LCCS in India really don't match the fare structures of their outlook and has been mainly on account of lack of appropriate measure to improve competition.

- Regulatory Challenges: Deregulation process in India was not accompanied ny sufficient regulatory oversight and enforcement to ensure fair competition and prevent monopolistic practices. This lack of effective regulation allowed dominant players to maintain their market position hindering the entry of new competitors and making it perhaps the toughest sector for any entrant. A robust framework as in USA overseen by Federal Aviation Administration (FAA) and the Department of Transportation (DoT) which monitor competition and safety standards

- Financial Instability: Deregulation without adequate safeguards against financial instability can lead to the emergence of financially precarious airlines. In India, several airlines have faced financial challenges, leading to bankruptcies, mergers, or acquisitions, which can disrupt the market and affect consumers.

Consumer Welfare Concerns:

- Deregulation should ultimately benefit consumers by offering them more choices, lower prices, and better services.
- In the Indian context, the dominance of a few players has limited competition and potentially affected consumer welfare and perhaps leading to poor service.
- Lack of consumer charter or a legislation to protect consumers on tickets purchase, cancellation, reschedule, loss of baggage, damage or delayed baggage, inappropriate ground handling from lack of wheel chairs to handling physically challenged passengers

SWOT Analysis:

Strengths:
- A huge market waiting to be tapped fully due to large number of airports, airstrips, etc.,
- Market for all types – full, LCC, charters and regional airlines
- Route rationalization
- As compared to other forms such as railways and buses, cost and time effective

Weaknesses
- High Cost of Aviation Turbine Fuel
- Focus very high on metros and big cities
- No clear policies on various aspects of airlines

Opportunities
- Under penetrated domestic market
- Growing International market
- Untapped air cargo market
- Expanding tourism industry

Threats
- Existing Operators
- Infrastructure issue
- Fuel price hike
- Economic uncertainty

Q&A

THANK YOU