



# THE AIRLINE INDUSTRY IN INDIA

Gautam ACHARYA

Solicitor (England and Wales), Advocate (India)

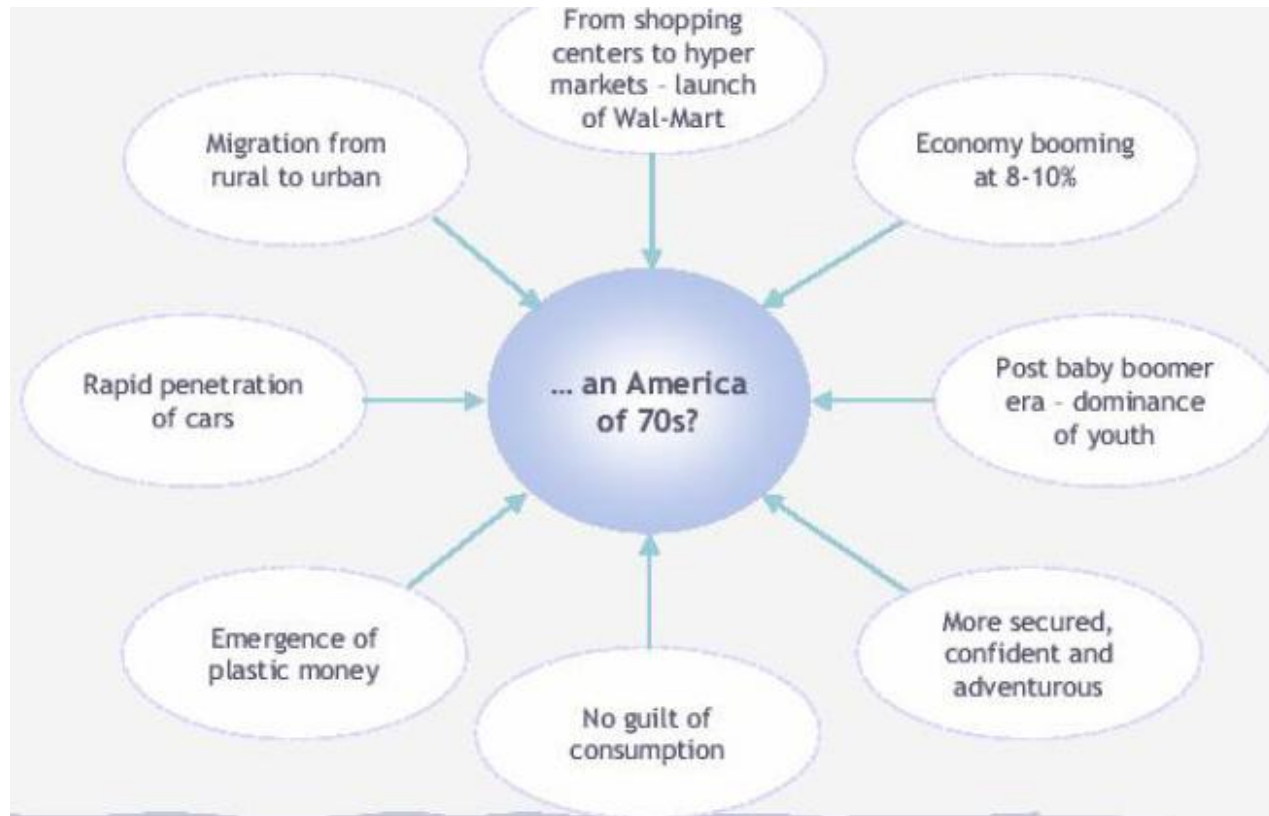


# *Media Obsessions*

***Reported by the Indian media everyday:***

- 1. Bollywood:*** Latest movie/love pairing/star child launch/endorsement
- 2. The Indian Cricket Team/Indian Premier League:*** Latest match/twist/tangle/slander
- 3. Aviation (in India):*** Airline merger/Aircraft purchase/Airport opening/New route establishment

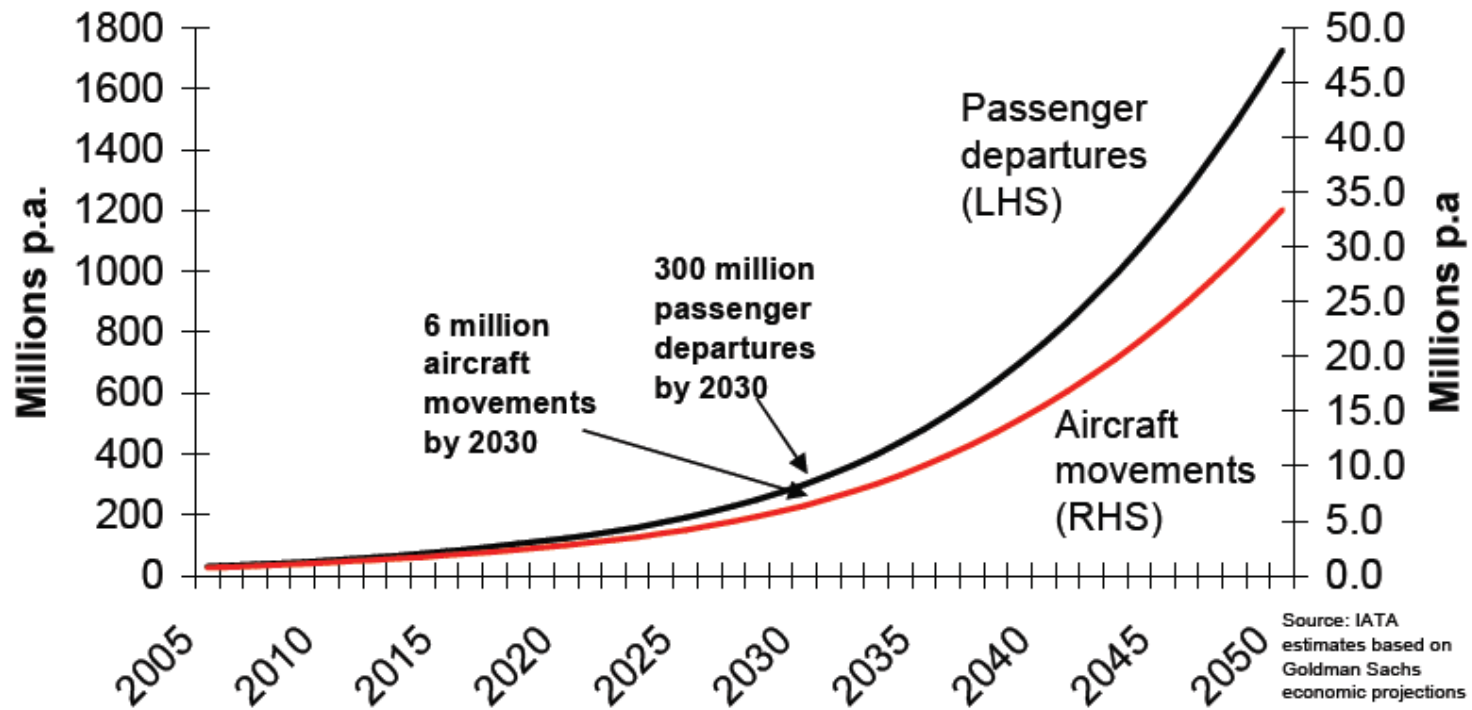
# An Evolving India Society: Nineties and the Naughties



# Genesis of the Indian Airline Industry

- 1932: Mr. J.R.D.TATA flies a De Havilland Puss Moth from Karachi to Bombay as part of the first Tata Sons Ltd. flight to deliver mail carried by British Imperial Airways
- 1948: Govt. of India acquires 49% stake in Tata Airlines, designates it a flag carrier and renames it Air India International (“All”)
- 1953: Jawaharlal Nehru, in friendly transaction, convinces the Tata Group to let the Govt. of India acquire a majority stake in All and nationalizes air transport
- 1953: Indian Airlines formed by merging eight former independent domestic airlines
- 1960: India enters the jet age with an Air India B707; USA and India are connected for the first time with an Indian airline
- 1989: Indian Airlines becomes one of the first airlines to induct the A320 into its fleet
- 1990: East West Airlines becomes the 1st private airline since 1953

# Forecast: Clear skies?



# Crowding the Skies



1948-1953



1991-1993



2003



2005-2006



# Problems Plaguing Airlines in India

- **Infrastructure (Or the lack thereof)**
- **GDP Growth-** *Estimated that it could be 12 percentage points higher if infrastructure were adequate*
- **Coalition Politics-** *Difficult to bring about change*
- **Fiscal Deficit-** *Inordinate amount spent on debt service*
- **Lower FDI-** *India's \$6Bn compared to China's \$62Bn in 2004*
- **Bureaucracy-** *89 days to secure permits to start a business in India vs. 41 in China and 20 in Turkey (World Bank Report)*
- **Weak State Owned Airline-** *Distressed State airline syndrome*

# *What Airline Model must India Adopt?*





# *It Certainly is NOT...*


- ***Pure Low Cost:*** Air travelers want more value for their money
- ***North American Hub and Spoke:*** Not enough distance between airports
- ***Point to Point only:*** Inefficient
- ***Regional Jet Feeder:*** Not enough critical mass

***India will therefore develop it's own unique model***



# Realizing India's Aviation Potential Requires

- Cost efficient investment in infrastructure
- Sensible capacity management and timing of investment
- Reasonable taxation
- Freedom to do business
- Effective use of technology 'Simplifying the Business'



The best way to make a good  
speech is to have a good beginning  
and a good ending...

*...and have them close together.*

-Mark TWAIN

THANK YOU