THE AIRLINE INDUSTRY IN INDIA

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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 (“AII”)

1953: Jawaharlal Nehru, in friendly transaction, convinces the Tata Group to let the Govt. of India acquire a majority stake in AII 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?

- **6 million aircraft movements by 2030**
- **300 million passenger departures by 2030**

**Passenger departures (LHS)**

**Aircraft movements (RHS)**

Source: IATA estimates based on Goldman Sachs economic projections
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 its 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