Chapter 3
An Overview of Indian Airline Industry

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CHAPTER 3:
AN OVERVIEW OF INDIAN AIRLINE INDUSTRY

The preceding chapter thoroughly dealt with the conceptual framework of Employees-Employer Relationship. The researcher has also discussed the evolution, scope, objectives, the causes of disputes and methods to improve the employees-employer relationship. The present chapter is devoted to present an overview of the Indian Airline Industry.

Overview:
Air Transport is the fastest and most modern means of transportation. The impact of air transportation on economic activity differs from other transportation modes because of its distinctive characteristics such as speed, cost, flexibility, reliability, and safety. It is the only feasible long-distance transportation mode for high-value perishable commodities and time-sensitive people and is often the only means of access for geoChartically isolated areas. Being the speediest means of connecting people and businesses, air transport is an essential device that fosters economic development (Ishutkina and Hansman, 2008).

The rapid economic growth is increasing and enhancing employment and business opportunities and in turn increasing disposable incomes. As the benefits of growth trickle down, an increasing number of people are moving up from the economically weaker class to join the middle class. According to McKinsey Global Institute (MGI) prediction on the economic growth states that the middle class, defined as households with disposable incomes from Rs 200,000 to 1,000,000 a year comprises about 50 million people, roughly 5% of the population at present. By 2025, the size of middle class will increase to about 583 million people, or 41% of the population. Extreme rural poverty has declined from 94% in 1985 to 61% in 2005 and is projected to drop to 26% by 2025. Affluent class, defined as earnings above Rs 1,000,000 a year will increase from 0.2% of the population at present to 2% of the population by 2025. Affluent class’s share of national private consumption will increase from 7% at present to 20% in 2025. This economic stability has made people to think of living a better and faster life, which even is considered while travelling. More and more
number of people now prefers air travelling, which is much faster and convenient mode of travelling (Anupamui, 2013).

Global business and tourism rely on air transport. Access to international markets and the increasing globalization of production makes worldwide connections essential. The total value of goods transported by air represents 35% of world trade. International Air Transport Association (IATA) stated in its annual review report of 2013 that, “Air transport plays a major role in developing nations, supported around 57 million jobs and $2.2 trillion in economic activity—about 3.5% of global GDP.” By 2030, the industry’s economic impact will continue to grow, it is forecast that 82 million jobs and $6.9 trillion in economic activity will have air transport at their root (Annual Reports of IATA, 2012).

The contribution of airlines industry to the national economy is favorably significant and highly appreciated. Foreign direct investment, International trade and International tourism are some of the major traits directly contributing to the development of airlines industry. Airlines industry plays a vital role in economic progress of a nation as it is viewed as a necessary link not only for international voyage and trade but also for providing connectivity to different parts of the country. It is a one of the essential part of the infrastructure of the country and has outcome for the development of tourism and trade, the opening up of far-flung areas of the country and for providing stimulus to business activity and economic growth (Aviation Industry, 2011).

One of the fastest growing airlines industries in the world is Indian Airline Industry. According to the report published by Global Finance, 2012, “India’s airline industry is growing at between 15% and 20% a year. The Indian aviation market is the ninth-largest globally, and could become the third-largest within ten years based on current growth predictions” (Anupamui, 2013). In 1990s, airlines industry in India saw some important changes. The Air Corporations Act of 1953 was abolished to end the monopoly of the public sector and private airlines were reintroduced (Indian Aviation Industry, n.d.). With the liberalization of the Indian Aviation sector, a rapid transformation has experienced in Indian Airlines Industry. Primarily, it was a government-owned industry, but now it is dominated by privately owned full service airlines and low cost carriers. Around 75% share of the domestic aviation market is shared by private airlines. Previously, only few people could afford air travel, but now it can be afforded by a large number of people as it has become much cheaper because
of rigorous competition (Arora, Bishnoi and Atray, n.d.). In order to lure the competitors, various airlines usually cut the price of their tickets and others have to follow the trail. This has ultimately helped to customer to have very cheaper options available. Recently, from August to September 2012, there has been 15% reduction in the air ticket fare. Economic liberalization has initiated a spurring growth of business travel in India (Anupamui, 2013). The first low cost airline, Air Deccan was launched in the year 2003, with the key objective to increase their reach to a largely untapped middle class segment. Low cost carriers were primarily driven by the increasing per capita income, improved connectivity and affordability. Supportive government initiatives and increasing private and public investments further boosted the industry (FreeGreet, 2009).

According to a recent report of the research firm - RNCOS, India is the ninth largest aviation market in the world. A recent report by IATA also states that the aviation in India currently supports 1.7 million jobs, 0.5% of Gross Domestic Product (GDP) and 90% of international tourist arrivals. Despite this great potential, India’s airline industry is struggling financially. The consulting firm Centre for Asia Pacific Aviation (CAPA) stated in its 2013-14 outlook report on traffic and financial performance that the “debt of Indian airlines increased 8-9% in 2012-13 to an estimated $14.5 billion (around Rs. 80,765 crore). Of the total debt, state-run Air India Ltd. had the biggest share—$8.9 billion. It was followed by Jet Airways (India) Ltd at $2.25 billion, Kingfisher Airlines Ltd at $1.8 billion, SpiceJet Ltd at $336 million, IndiGo at $176 million and GoAir at $147 million. These figures could be higher as some of the private airlines are yet to file their numbers for 2012-13, adding these estimates also do not include non-fund based debt” (Shukla, 2013). Barring a few airlines, most of the operators have been struggling with losses and working capital deficit, which in some cases are so huge that they find themselves perilously close to shutting shops. The increase in the market size has been outpaced by the growing competition between the Indian carriers, leading to intense price competition. This coupled with the high operating costs have made the survival difficult for most of the players (Thornton, 2012).

**History of Indian Airline Industry:**
Aviation refer to the activities involving man-made flying devices (aircraft), including the people, organizations, and regulatory bodies involved with them. Many cultures
have built devices that travel through the air, from the earliest projections such as stones and spears, to more sophisticated buoyant or aerodynamic devices such as the mechanical pigeon of Archytas in Ancient Greece, the boomerang in Australia, the hot air Kongming lantern, and Kites (Khurana, 2009).

**Indian Aviation Sector (till 1986):**

The Airline Industry in India traces back its history to 1912, with first flight from Karachi to Delhi started by Indian State Air Services and Imperial Airways UK collaboration. Actually it was just an extension of the London-Karachi flight by imperial airways. However, the actual instigation of Indian Airline Industry was in the form of Tata Airline by JRD Tata in 1932. He was also the first Indian to get an A-License. In 1946, Tata Airlines was transformed into Air India. There were eight companies were in service within and outside the country at the time of independence, namely Tata Airlines, Indian National Airways, Air service of India, Deccan Airways, Ambica Airways, Bharat Airways and Mistry Airways.

In 1953, the government of India nationalized all existing airline assets and formed Indian Airline Corporation for domestic air services along with Air India International for international air services. Indian Airlines came into being with the merger of eight domestic airlines to operate domestic services, while Air India International was to operate the overseas services. Furthermore, the Act gave monopoly power to Indian Airlines to operate on domestic scheduled services ruling out any other operator. Air India became the single Indian carrier to operate on international itinerary excluding some routes to the neighboring countries which were given to Indian Airlines (Aviation Industry in India, nd a).

**Airlines Industry from 1986-2003:**

The second phase of the sector began in the year 1986. In this period, the private sector players were granted permission to operate as air taxi operators, under which they could operate chartered and non-scheduled services for uplift of Indian tourism. In 1994, government of India revoked the Air Corporation Act. Consequently, in 1995, government granted scheduled carrier status to six private air taxi operators. But only four operators Jet Airways, Air Sahara, Jagsons and Spicejet (previously operated as Modiluft) started operations by 1997 and continued to operate. Eventually, by 1998, at least six private airlines, East-West, Modi-Luft, NEPC,
Chapter 3

Damania, Gujarat Airways and Span Air were closed and according to an estimate, the capital losses implicated after these closures were to the tune of Rs 10 billion (Aviation Industry in India, nd b).

**Airlines Industry from 2003-2006:**
By 2003, only two private carriers survived to see the sunrise of the new century, i.e. Jet and Sahara. But the duopoly of Jet and Sahara as private carrier was challenged in 2003 by Air Deccan. Indian Airlines Industry witnessed a major change in 2003, when Air Deccan introduced budget flying by lowering down the fares to mere 17% of what the other airlines were charging. Now the list includes Spice Jet, Go Airways and Kingfisher Air (All-business class airlines), Paramount Airways also belongs to this group. These budget airlines have taken up the major Indian Airlines Industry market share. They have established newer trends in the aviation industry (Aviation Industry, 2011).

**Airlines Industry from 2006 onwards:**
Another milestone in the history of the Indian aviation sector came in the year 2007. This was the year of mergers and collaborations in the Indian skies. In the year 2006, the merger of Jet-Sahara and Indian Airlines-Air India was announced but it materialized only in 2007. After this, the Indian aviation sector has witnessed a series of mergers and acquisitions of airlines such as Indian Airlines and Air India; the Jet-Sahara Deal; the Kingfisher-Deccan Deal (Aviation Industry, 2011). In 2010 SpiceJet starts international operations. In 2011 Indigo starts international operations, Kingfisher exits Low Cost Carriers (LCC) segment. In 2012 government allows direct Available Tonne Kilometer (ATF) imports, FDI proposal for allowing foreign carriers to pick up to 49% stake under consideration (Overview of Indian Aviation Industry, n.d.).

**Governing Bodies:**
Air Transport in India is under the purview of the department of Civil Aviation, a division of the India’s Ministry of Civil Aviation and Tourism. Located at Rajiv Gandhi Bhavan at the Safdarjung Airport in New Delhi, the Ministry of Civil Aviation is responsible for formulation of national policies and programmes for the development and regulation of the Civil Aviation sector in the country. It is
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responsible for the administration of the Aircraft Act, 1934, Aircraft Rules, 1937 and various other legislations pertaining to the aviation sector in the country. This Ministry exercises administrative control over attached and autonomous organizations like the Directorate General of Civil Aviation, Bureau of Civil Aviation Security and Indira Gandhi Rashtriya Udan Academy and affiliated Public Sector Undertakings like National Aviation Company of India Limited, Airports Authority of India and Pawan Hans Helicopters Limited. The Commission of Railway Safety, which is responsible for safety in rail travel and operations in terms of the provisions of the Railways Act, 1989 also comes under the administrative control of this Ministry (MOCA, 2010). In the context of a multiplicity of airlines, airport operators (including private sector), and the possibility of oligopolistic practices, there is a need for an autonomous regulatory authority which could work as a watchdog, as well as a facilitator for the sector, prescribe and enforce minimum standards for all agencies, settle disputes with regard to abuse of monopoly and ensure level playing field for all agencies. The Civil Aviation Authority CAA) was commissioned to maintain a competitive Civil Aviation environment which ensures safety and security in accordance with international standards, promotes efficient, cost effective and orderly growth of air transport and contributes to social and economic development of the country (Kumar, 2006).

Ministry of Civil Aviation has the following organizations under its administrative control:

1. Attached offices/organizations
   a. Directorate General of Civil Aviation (DGCA)
   b. Bureau of Civil Aviation Security (BCAS)
   c. Commission of Railway Safety (CRS)
   d. Aircraft Accident Investigation Bureau (AAIB)

2. Autonomous body
   a. Indira Gandhi Rashtriya Udan Academy (IGRUA)
   b. Airports Economic Regulatory Authority (AERA)

3. Public Sector Undertakings
   a. Airport Authority of India (AAI)
   b. Air India Limited (AIL)
   c. Pawan Hans Limited (PHL)
Diagram 3.1: Organizational Set-Up of the Ministry of Civil Aviation

Assessed on 29.8.2013.

Directorate General of Civil Aviation (DGCA):

The DGCA is the principle regulatory body in the field of Civil Aviation. It is not only responsible for regulation of Air Transport services to/from/within India, formulation and enforcement of Civil air regulations, Air safety and airworthiness standards, but also co-ordinates all regulatory functions with International Civil Aviation Organizations (ICAO). The DGCA has its Headquarters in New Delhi. This organization is headed by DGCA, who is assisted by Joint Directors General and Deputy Directors General (DGCA, n.d.). The DGCA has the following Directorates:

i. Directorate of Regulations and Information.
ii. Directorate of Air Transport.
iii. Directorate of Airworthiness.
iv. Directorate of Air Safety.
v. Directorate of Training and Licensing.
vi. Directorate of Aerodrome Standards.
vii. Directorate of Flying Training.
viii. Directorate of Flight Inspection
ix. Directorate of Administration
x. Aircraft Engineering Division
xi. Air Space and Air Navigation Services
xii. Training Academy

xiii. Information Technology Division

Functions:
The main function of the Directorate General of Civil Aviation is to regulate all safety related to Regulation of air transport services, Registration of civil aircraft, Laying down airworthiness Requirements, Licensing of aviation personnel and Licensing of aerodromes and air carriers etc. (Annual Reports of MOCA, 2012-13).

Airport Authority of India (AAI):
The Airport Authority of India is a leader in infrastructure building for developing airport infrastructure along the length and breadth of the country including remote and far flung areas. Airports Authority of India (AAI) was constituted by an Act of Parliament and came into being on 1 April 1995 by merging erstwhile National Airports Authority and International Airports Authority of India. The merger brought into existence a single organization entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and air space in the country (wikipedia.com, n.d.).

AAI manages 125 airports consisting of 68 operational airports (11 international airports, 8 customs and 49 domestic airports), 26 Civil Enclaves (3 international, 4 customs and 19 domestic) and 31 non-operational domestic airports. AAI also provides CNS-ATM facilities at 9 other airports. AAI has been bestowed with responsibility of managing the entire Indian airspace measuring about 2.8 million nautical square mile area of national airspace covering Bay of Bengal and Arabian Sea has been assigned to AAI for provision of Air Traffic Services in the designated air space (AAI, 17th Annual Reports, 2011-12). The main Functions of AAI are as follows:

1: Control and management of the Indian air space (excluding special user air space) extending beyond the territorial limits of the country as accepted by International Civil Aviation Organization (ICAO).


3: Expansion and strengthening of operational areas viz. Runways, Aprons, Taxiways, etc. and provision of ground based landing and movement control aids for aircrafts and vehicular traffic in operational area.
4: Design, development, operation and maintenance of passenger terminals.

5: Development and management of cargo terminals at international and domestic airports.


**Human Resource Management:**

As on 31st March, 2012, there were 18,781 employees with AAI. Industrial Relations were harmonious during the year. Major Human Resource (HR) initiatives taken during the year 2012 include:

1: Parameters for Public Sector Enterprises (PSEs) for Memorandum of Understanding (MoU) purpose as per Department of Public Enterprises (DPE) Guidelines;

2: Introduction of Performance Management System;

3: Formulation of policy and road map for setting up of Regional Training Centres for non-executives;

4: Guidelines for merit concept of promotion in relation to the reservation policy;

5: Posting of a Transparency Officer under the RTI Act, 2005;

6: Operationalization of the Indian Aviation Academy as a joint training institution for AAI, DGCA & BCAS;

7: Comprehensive revision of educational qualifications for recruitment to various executive cadres; and

8: Comprehensive revision of the AAI (Employees Conduct, Discipline and Appeal) Regulations (AAI, 17th Annual Reports, 2011-2012).

**Open Skies Policy:**

Open skies is an international policy concept which calls for the liberalization of rules and regulations on international aviation industry most especially commercial aviation in order to create a free market environment for the airline industry.

Its primary objectives are:

1: To liberalize the rules for international aviation markets and minimize government intervention- the provisions apply to passenger, all-cargo and combination air transportation and encompass both scheduled and charter services;
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2: To adjust the regime under which military and other state-based flights may be permitted.

For open skies to become effective, a bilateral (and sometimes multilateral) Air Transport Agreement must be concluded between two or more nations (wikipedia.com, n.d.). The Open Skies Policy would allow the foreign airline of any country or ownership to land at any port on any number of occasions and with unlimited seat capacity. There would be no restriction on the type of aircraft used, no demand for certification, no regularity of service and no need to specify at which airport they would land. Defined in this manner, it is not surprising that Open Skies policies are adopted only by a handful of countries, most commonly those that have no national carriers of their own and that have only one or two airports. No sovereign country of any eminence practices Open Skies least of all the European Union, UK, USA, Japan, Australia or countries in South East Asia (Kumar, 2006).

Need for Open Skies Policy:

A recurring demand often voiced by interested parties is that, in order to promote travel and tourism, India should an Open Skies Policy. It is argued that the current policy restricts the access to foreign airlines. As a result potential tourists are not offered a choice of airlines or seats when travelling to India. This problem is exacerbated during the holiday season when it is difficult, if not impossible, to get a seat either into the country or out of it. It is argued, therefore, that India should an Open Skies approach to any foreign carrier wanting to fly into India, which literally means allowing them unlimited service; capacity and points of call (Dhanaw et.al, n.d.).

Bilateral Treaties:

A bilateral air transport agreement is a contract to liberalize aviation services, usually commercial civil aviation, between two contracting states. A bilateral air services agreement allows the airlines of both states to launch commercial flights that cover the transport of passengers and cargoes of both countries. A bilateral agreement may sometimes include the transport of military personnel of the contracting states (wikipedia.com, n.d.). The Bilateral agreements provides not only regularity of operations through scheduled services but also stipulates the basis of ownership, number of seats to be utilized, type and certification of aircraft and visiting ports of
call. The Bilateral agreements also protect the different kinds of aviation freedoms granted to contracting parties by specifying the reciprocal rights to be enjoyed by each (Kumar, 2006).

**Foreign Direct Investment in Airlines in India:**

As part of a series of reforms aimed at boosting foreign investment in the country, the Cabinet Committee on Economic Affairs (CCEA) announced plans to allow foreign carriers own up to 49% of Indian airlines (Zee news, 2012). India allowed foreign airlines to buy stakes of up to 49 percent in any of the private domestic carriers like Jet Airways, SpiceJet and Go Air, in a long-awaited policy move, providing a potential lifeline to the country's debt-laden airlines by opening up a fresh source of funding (Business Standard, 2012).

At present, Indian carriers with losses running into thousands of crores are akin to a sinking ship with an uncertain future on returns. Take for instance, in the last reported financial year 2011-12, Jet Airways, India’s largest carrier by market value, reported a loss of Rs 1,236 crores. The Kingfisher’s losses stood at Rs 2,328 crores while Spicejet posted a loss of Rs 605 crores. On top of it, Jet, Kingfisher and Spicejet’s balance sheets are highly leveraged with debt of Rs 13,500 crore, Rs 7,057 crore and Rs 860 crore respectively (DNA, 2012).

According to Bhattacharya, 2012 “If one were to look at the condition of the global airline industry, which is bleeding, it is worth asking how many large airlines across the world are in any condition to bring in mega bucks to a loss-laden Indian aviation sector. Only a handful of global airlines are making profits. The Lufthansa Group (which includes Swiss Airlines), Emirates and Qatar are among the top global carriers which are in a position to bring in some money to Indian carriers. Of them, Lufthansa has already said it is not interested in taking up a stake in a domestic airline”. A British Airways spokesman interviewed by CNBC TV-18 said “the airline may not be keen to take up a stake, and certainly not Air India. Virgin Airlines could be interested, but everyone, it seems, is waiting for the fineprint” (Bhattacharya, 2012).

While FDI is welcome, Indian aviation sector will remain underutilized unless accompanying policy and infrastructure reforms are undertaken. The time for procrastination and squandering opportunities is over (DNA, 2012).
Classification of Indian Aviation Sector:
The Indian aviation sector can be broadly divided into the following main categories (Naukrihub, n.d.):

- Scheduled air transport service
- Non-scheduled air transport service
- Air cargo service

Diagram 3.2: Classification of Indian Aviation Sector


Scheduled Air Transport Service
Scheduled Air Transport Service means an air transport Service undertaken between the two or more places and operated according to a published time table or with flights so regular or frequent that they constitute a recognizably systematic series, each flight being open to use by members of the public (Cadgog, n.d.). It includes:

*Domestic Airlines:* which provide scheduled flights within India and to select international destinations. In addition to Air India Limited, Alliance Air and Air India Charters Ltd., there are at present six private scheduled operators viz, Jet Airways (India) Ltd., Jet Lite Ltd., Kingfisher Airlines Ltd. (no operations since October, 2012), Spice Jet Ltd., Go Airlines (India) Pvt. Ltd., Inter Globe Aviation Ltd. (Indigo) operating on the domestic sector providing a wide choice of flights and connectivity to various parts of India (Indianmirror, n.d.).

*International Airlines:* operate from scheduled international air services to and from India.
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Non-scheduled Air Transport Service:

Non-Scheduled Operation means an air transport service other than scheduled air transport service and that may be on charter basis and/or non-scheduled basis. The operator is not permitted to publish time schedule and issue tickets to passengers (Studygalaxy, n.d.).

As on 31st December 2012, a total number of 147 companies are holding Non-Scheduled Operator’s Permit, as against 134 companies during the last calendar year 2011 (Annual Reports of MOCA, 2012-13). Indian airlines and private non-scheduled air operators are together likely to add around 1,000 aircraft and 250 helicopters over the next five years, according to Planning Commission estimates. The scheduled airlines are likely to add around 370 aircraft in their fleet. Non-scheduled operators could induct 300 business jets, 300 small planes and 250 helicopters during this period, owing to heightened demand (The Economic Times, 2012).

Air cargo services:

It is an air transportation of cargo and mail. It may be on scheduled or non-scheduled basis. These operations are to destinations within India. For operation outside India, the operator has to take specific permission of Directorate General of Civil Aviation demonstrating his capacity for conducting such an operation. Three cargo airlines namely- Blue Dart Aviation Pvt Ltd., Deccan Cargo & Express Logistics Pvt. Ltd. and Quickjet Pvt. Ltd. are also operating scheduled cargo services in the country (Naukrihub, n.d.).

Passenger Airlines in India:

In the recent past, Indian civil aviation sector has grown manifold. Several new players have entered the industry and many more are about to enter the arena. Apart from the state-owned airline, a number of private companies have entered the arena, thereby providing more choices to the passenger. Today, air travel is no more the monopoly of the rich and the mighty. With the arrival of cheap airline carriers in India, air traveling has become simpler and cheaper. Private players including Spice Jet, Jetlite, Indigo etc. are coming up with attractive rates for their passengers, thereby making civil aviation lucrative (Domestic Airlines, n.d.). The various Passengers’ Airlines in India are given below:
1. Air India Limited:

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<tr>
<th>IATA</th>
<th>ICAO</th>
<th>Callsign</th>
<th>AI</th>
<th>AIC</th>
<th>AIRINDIA</th>
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- **Founded**: July 1932 (as Tata Airlines)
- **Comenced Operations**: 15 October 1932 (80 years ago)
- **Indira Gandhi International Airport (Delhi)**
- **Chhatrapati Shivaji International Airport (Mumbai)**
- **Chennai International Airport**
- **Netaji Subhas Chandra Bose International Airport (Kolkata)**
- **Airline Lounge**: Maharaja Lounge
- **Subsidiaries**: Air India Express, Air India Regional
- **Fleet size**: 97 (Excluding subsidiaries)
- **Company slogan**: Your Palace in the Sky
- **Parent company**: Air India Limited
- **Headquarters**: Indian Airlines House, Parliament Street, New Delhi, India
- **Key people**: JRD Tata (Founder), Rohit Nandan, IAS (CEO), Syed Nasir Ali, IRS (JMD)
- **Employees**: 26,000 (FY 2012-13)
- **Website**: http://airindia.in


Air India is the flag carrier airline of India. It is part of the government owned Air India Limited (AIL). Air India was founded by J.R.D. Tata in July 1932 as Tata Airlines, a division of Tata Sons Ltd (now Tata Group). In 2007, the Government of
India announced that Air India would be merged with Indian Airlines. As part of the merger process, a new company called the National Aviation Company of India Limited (NACIL) was established, into which both Air India (along with Air India Express) and Indian Airlines (along with Alliance Air) will be merged. On 27 February 2011, Air India and Indian Airlines merged along with their subsidiaries to form Air India Limited. The airline operates a fleet of Airbus and Boeing aircraft serving Asia, the United States, and Europe. Its corporate office is located at the Indian Airlines House, in the parliament street of New Delhi. Air India has two major domestic hubs at Indira Gandhi International Airport and Chhatrapati Shivaji International Airport. The airline formerly operated a hub at Frankfurt Airport which was terminated on account of high costs. However, another international hub is being planned at the Dubai International Airport (wikipedia.com, n.d.).

The wholly owned subsidiaries of Air India are - Air India Air Transport Services Ltd, Air India Charters Ltd, Air India Engineering Services Ltd, Airline Allied Services Limited, Hotel Corporation of India, Vayudoot Limited. The staff strength as on 31 December 2012 is 26,851. In order to harmonize Human Resource integration in the post merged entity of Air India Limited and to address Industrial Relations related issues of erstwhile Air India and Indian Airlines, Government of India had constituted a Committee of Experts under the Chairmanship of Justice D.M. Dharmadhikari - a retired Supreme Court Judge. Justice Dharmadhikari Committee submitted its report to the Government on 31 January, 2012 giving recommendations broadly in four areas, namely (Annual Reports of MOCA, 2012-13).

a. Level Mapping.

b. Career Progression.

c. Wage and Salary Structure.

d. Other related issues like Voluntary Retirement Schemes (VRS), Pension Scheme etc.

Following economic losses in 2012, Air India has slipped to fourth place in the Indian domestic aviation sector from being the largest operator in the Indian subcontinent, behind low cost carriers like IndiGo, Spicejet, and its full service rival Jet Airways. Following its merger with Indian Airlines, Air India has faced multiple problems, including escalating financial losses. Between September 2007 and May 2011, Air India’s domestic market share declined from 19.2% to 14%, primarily because of stiff competition from private Indian carriers. However, after financial restructuring and
enforcement of strict rules and regulations, the airlines showed signs of turning around. In March 2013, the airlines posted its first positive EBITDA after almost 6 years. The airlines bolstered its financial and physical performance with a 44 per cent slash in its operating losses in 2013-14 and an almost 20 per cent growth in its operating revenue since the previous financial year. As of January 2014, Air India is the third largest carrier in India, after IndiGo and Jet Airways with a market share of just above 19%. The airline was invited to be a part of the Star Alliance in 2007. Air India completed the merger with Indian Airlines and some part of the agreed upgrades in its service and membership systems by 2011. In August 2011, Air India’s invitation to join Star Alliance was suspended as a result of its failure to meet the minimum standards for the membership. However, in October 2011, talks between the airline and Star Alliance resumed. On 13 December 2013, Star Alliance announced that Air India and the alliance have resumed the integration process and the airline would join the alliance in July 2014 (wikipedia.com, n.d.).

Jet Airways:

Table 3.2: Jet Airways

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<thead>
<tr>
<th>JET AIRWAYS</th>
<th>IATA</th>
<th>ICAO</th>
<th>Callsign</th>
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<tr>
<td></td>
<td>9W</td>
<td>JAI</td>
<td>JET AIRWAYS</td>
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<table>
<thead>
<tr>
<th>Founded</th>
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<tr>
<td>Commenced operations</td>
<td>May 3, 1993</td>
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<td>Hubs</td>
<td>Chhatrapati Shivaji International Airport (Mumbai) (Primary Hub &amp; Maintenance Base)</td>
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<td></td>
<td>Bengaluru International Airport (Bengaluru)</td>
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<td></td>
<td>Brussels Airport</td>
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<td></td>
<td>Chennai International Airport</td>
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<tr>
<td>Secondary hubs</td>
<td>Indira Gandhi International Airport (Delhi)</td>
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<tr>
<td></td>
<td>Netaji Subhas Chandra Bose</td>
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<tr>
<td></td>
<td>Kansai International Airport (Osaka)</td>
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<tr>
<td></td>
<td>Pune International Airport (Pune)</td>
</tr>
<tr>
<td>Airport lounge</td>
<td>Jet lounge</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>Jet Air, Jet Konnect</td>
</tr>
<tr>
<td>nicetext</td>
<td>IAI (including Subsidiaries)</td>
</tr>
<tr>
<td>Company slogan</td>
<td>The Joy of Flying</td>
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<th>Parent company</th>
<th>Tailwinds Limited</th>
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<tbody>
<tr>
<td>Headquarters</td>
<td>Mumbai, India</td>
</tr>
<tr>
<td>Key people</td>
<td>Naresh Goyal (Founder &amp; Chairman), Copr. Name &amp; Alt (CEO)</td>
</tr>
<tr>
<td>Employees</td>
<td>18,425 (2012)</td>
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</tbody>
</table>


Jet Airways is the second largest Indian airline based in Mumbai, Maharashtra, both, in terms of market share and passengers carried. It is owned by Naresh Goyal. Jet Airways was incorporated on April 1, 1992 as a private company with limited liability under the Companies Act, the jet airways was incorporated as an Air Taxi Operator on May 5, 1993 with a fleet off our leased Boeing 737 aircraft. In January 1994 a change in the law enabled Jet Airways to apply for Scheduled Airline status, which was granted on 4 January 1995. Jet Airways became a deemed public company on July 1, 1996. On January 19, 2001, Jet Airways was reconverted into a private company. Jet Airways became a public company on December 28, 2004. It operates over 1000 flights daily to 76 destinations worldwide. Its main hub is Mumbai, with secondary hubs at Delhi, Kolkata, Chennai, Bengaluru and Pune. It has an international hub at Brussels Airport, Belgium. JetLite and JetKonnect are the two subsidiaries of Jet Airways ("The Company’s history," n.d.).

In January 2006, Jet Airways announced that it would buy Air Sahara for US$500 million in an all-cash deal, making it the biggest takeover in Indian aviation history. It would have resulted in the country’s largest airline but the deal fell through in June 2006. On 12 April 2007, Jet Airways agreed to buy out Air Sahara for INR14.5 billion (US$340 million). Air Sahara was renamed JetLite, and was marketed between a low-cost carrier and a full service airline. In August 2008, Jet Airways announced its plans to completely integrate JetLite into Jet Airways. In October 2008, Jet Airways laid off 1,900 of its employees, resulting in the largest lay-off in the history of Indian aviation. However the employees were later asked to return to work; Civil Aviation Minister Praful Patel said that "The management reviewed its decision after he
analyzed the decision with them". On 8 May 2009 Jet Airways launched its low-cost brand, Jet Konnect (wikipedia.com, n.d.).

In 2012-13, the losses of the airline from domestic operations has been over Rs 1,100 crore, whereas, the international operations fetched them a profit of over Rs 350 crore. The airline, which was the largest carrier in terms of passengers carried till June 2012, has been consistently losing market share with its market share falling from 26.2 per cent in January to 22.5 per cent in May 2013, whereas its market share again showed a sign of improvement in August with a 25.3% (Mishra, 2013).

Jet Airways offered 24% stake to Abu Dhabi-based Etihad Airways after the government had allowed foreign airlines to own up to 49% stake in Indian carriers. A finance ministry official said that “The Company has submitted to the FIPB (Foreign Investment Promotion Board) that it would make the requisite changes to the deal as suggested by the board. It is being processed now.” The FIPB had cleared the transaction subject to certain riders including adjudicating disputes between shareholders or shareholder’s agreement under the Indian law as opposed to English law proposed in the revised shareholders’ agreement (Sikarwar, 2013).

Etihad, which had already purchased stakes in 4 other loss making airlines, said, they were concentrating on future potential rather than past performance, and were ready to take up the stake in Jet. Initially, Jet announced that they were likely to sign the stake sale deal with Etihad between 22 January and 3 February, which they later confirmed to as 25 January. However, the date passed by and the deal was further postponed. In 2013, it was announced that Etihad Airways would buy a 24% stake in the airline through preferential allotment of shares (wikipedia.com, n.d.).
Kingfisher Airlines Limited:

Table 3.3: Kingfisher Airlines Limited:

<table>
<thead>
<tr>
<th>IATA</th>
<th>ICAO</th>
<th>Callsign</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>KFR</td>
<td>KINGFISHER</td>
</tr>
</tbody>
</table>


Kingfisher Airlines Limited was an airline group based in India. Kingfisher Airlines was established in 2003. It is owned by the Bengaluru based United Breweries Group. The airline started commercial operations in 9 May 2005 with a fleet of four new Airbus A320-200s operating a flight from Mumbai to Delhi. It started its international operations on 3 September 2008 by connecting Bengaluru with London. Its head office is in Andheri (East), Mumbai and Registered office in UB city, Bangalore. Kingfisher Airlines, through its parent company United Breweries Group, has a 50% stake in low-cost carrier Kingfisher Red. The airline had been facing
Chapter 3

financial issues for many years. Until December 2011, Kingfisher Airlines had the second largest share in India’s domestic air travel market. However due to a severe financial crisis faced by the airline at the beginning of 2012, it has the lowest market share since April 2012 (wikipedia.com, n.d.).

Kingfisher Airlines acquired Air Deccan, a low-cost airline in 2007. Five years of operations is a key criterion for an airline to fly internationally. Hence, KFA acquired Air Deccan’s international flying rights and simultaneously entered the cheaper market segment (“Risk Management”, n.d.). After acquiring Air Deccan, Kingfisher suffered a loss of over ₹10 billion (US$180 million) for three consecutive years. By early 2012, the airline accumulated losses of over ₹70 billion (US$1.3 billion) with half of its fleet grounded and several members of its staff going on strike. Kingfishers’ position in top Indian airlines on the basis of market share had slipped to last from 2 because of the crisis. In December 2011, for the second time in two months, Kingfishers’ bank accounts were frozen by the Mumbai Income Tax department for non-payment of dues. Kingfisher Airlines owes ₹70 crore (US$13 million) to the service tax department. Indian tax body also stated that Kingfisher Airlines is delinquent. On 20 October 2012, Kingfishers’ license was suspended by the Directorate General of Civil Aviation after it failed to address the Indian regulator’s concerns about its operations. On 25 Feb 2013, its international flying rights and domestic slots were scrapped by the Indian aviation authorities (wikipedia.com, n.d.).

The grounded Kingfisher Airlines loss widened sharply to Rs.1,156.91 crore in the June 2013 from Rs.650.78 crore a year earlier, primarily as the cost of returning aircraft more than doubled. Employee costs fell to Rs.59.44 crore from Rs.118.89 crore and aircraft lease rental expenses to Rs.103.56 crore from Rs.195.56 crore earlier. Kingfisher Airlines now has accumulated losses of Rs.17,180.37 crore, and it owes Rs.7,600 crore to banks and Rs.8,000 crore to other lenders. Its net worth on 31 March 2014 was a negative Rs.12,919.81 crore (Sanjai, 2013).
Chapter 3

The most recent strike, which began September 30 2012, involved airline engineers who were soon joined by pilots and some cabin crew. The company’s domestic and international flights out of Mumbai and New Delhi were halted by the walkout. The media reports that 500 employees, including 30 pilots, 250 engineers and cabin crew, have been involved in the strikes. This was the fourth walkout by the Kingfisher employees over the last eight months. In August pilots struck twice the non-payment of salaries. In some cases, employees have reported they are owed as much as 300,000 rupees ($5,800) (Simon and Kumara, 2012).

The cash-strapped Kingfisher Airlines had initially announced a partial lockout on Oct. 1.2012 till Oct. 12.2012, after its employees stayed off work in protest, demanding the payment of salary dues pending since March 2012. The liquor baron Vijay Mallya controlled airline announced that it would continue the lockout till October 20, 2012, as it had failed to convince the striking employees to resume work (Sjeera, 2012). On January 9, 2013, the company flies into more trouble, with its employees planning to head to court, a move that came after the management delayed in paying pending salaries. On March 10, 2013, DGCA asks the carrier to clear all dues, including pending salaries of employees, before seeking licence renewal again. The airlines staff protests in Bangalore on April 5, 2013, demanding the immediate release of their pending salaries (The Hindu, 2014).
Table 3.4: IndiGo Airlines

<table>
<thead>
<tr>
<th>IATA</th>
<th>ICAO</th>
<th>Callsign</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6E</td>
<td>IGO</td>
<td>IFLY</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>August 4, 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Indira Gandhi International Airport (Delhi)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chhatrapati Shivaji International Airport (Mumbai)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Netaji Subhash Chandra Bose International Airport (Kolkata)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>78</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Go IndiGo</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>InterGlobe Enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gurgaon, Haryana, India</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rahul Bhatia, MD, Aditya Ghosh, President</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>△ ₹ 7.87 billion (US$130 million) (2013)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><a href="http://www.goindigo.in">www.goindigo.in</a></td>
</tr>
</tbody>
</table>


IndiGo is a private, low-cost carrier based in Gurgaon, Haryana, India. The airline started operations in August 2006 and currently is the largest airline in India by market share. IndiGo was set up in early 2006 by Rakesh S. Gangwal, a USA-based NRI and Rahul Bhatia of InterGlobe Enterprises. InterGlobe holds 51.12% stake in IndiGo and 48% is held by Gangwal’s Virginia-based company Caesum Investments. IndiGo placed a firm order of 100 Airbus A320-200 aircraft during June 2005 in plans to commence operations in mid-2006. IndiGo took delivery of its first Airbus A320-200 aircraft on 28 July 2006, nearly one year after placing the order, and commenced operations on 4 August 2006 with a service from New Delhi to Imphal via Guwahati (wikipedia.com, n.d.).
By December 2010, IndiGo replaced the state run flag carrier Air India as the top third airline in India. It already had a 17.3% of the market share, behind Kingfisher Airlines and Jet Airways. On 17 August 2012, IndiGo became the largest airline in India in terms of market share (27%), which is more than one-fourth of total market share of all the Indian airlines combined, in the process dethroning the full-service carrier Jet Airways, which had held that position for many years. The airline had reached the position just six years after operations commenced (wikipedia.com, n.d.). IndiGo increased its lead to 29.7% in July 2013. Two airlines stood out most prominently amid the gloom pervading the Indian aviation scene in financial year 2013 - budget carrier IndiGo was the only Indian carrier to remain profitable even as its peers bled, while Dubai-based Emirates overtook Air India to emerge as the first foreign carrier to fly most international traffic from and to the country. According to the latest report by Centre for Asia Pacific Aviation (CAPA), the airline industry lost an estimated $1.65 billion (9,235 crore) on revenues of $9.5 billion (53,172 crore) but IndiGo was exceptional with an estimated $100-110 million profit on revenue of $1.5-1.6 billion (The Economic Times, 2013). According to the latest passenger data released by the Directorate General of Civil Aviation (DGCA), the Delhi-based IndiGo airline continued to be the market leader having flown 15.31 lakh passengers or 29.1 per cent of all domestic travelers (The Business Line, 2013). The market share of IndiGo in February 2014 was 30.3%. It is one of the fastest growing low cost carriers in the world. With its fleet size of 78 new Airbus A320 aircraft, the airline offers 491 daily flights connecting to 36 destinations (wikipedia.com, n.d.).
**SpiceJet:**

<table>
<thead>
<tr>
<th>IATA</th>
<th>ICAO</th>
<th>Callsign</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG</td>
<td>SEJ</td>
<td>SPICEJET</td>
</tr>
</tbody>
</table>

- **Established:** 1993 (as ModiLuft)
- **Commenced Operations:** 5 May 1993
- **Headquarters:** Gurgaon, India
- **Key People:** Neil Raymond Mills (CEO)
- **Employees:** 2,349 (2012)
- **Website:** SpiceJet.com

### Table 3.5: SpiceJet

<table>
<thead>
<tr>
<th>Route</th>
<th>Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chennai International Airport</td>
<td>Indira Gandhi International Airport (Delhi)</td>
</tr>
<tr>
<td>Rajiv Gandhi International Airport (Hyderabad)</td>
<td>Chhatrapati Shivaji International Airport (Mumbai)</td>
</tr>
<tr>
<td>Bengaluru International Airport (Bangalore)</td>
<td>58 (70 orders)</td>
</tr>
<tr>
<td>Flying for everyone</td>
<td>Sun Group</td>
</tr>
</tbody>
</table>


**SpiceJet** is an Indian low-cost airline owned by the Sun Group of India. It has its registered office in Chennai, Tamil Nadu, and a corporate office in Gurgaon, Haryana. It began service in May 2005, and by 2012, it was India’s third largest airline in terms of market share, ahead of Air India, Kingfisher Airlines, and GoAir. SpiceJet operates aircraft configured with a single passenger class. Along with passenger services, SpiceJet also offers cargo services on the same flights. The origins of SpiceJet track back to February 1993 when ModiLuft, one of India’s first post-deregulation airlines that was launched by the Indian industrialist S.K. Modi, in technical partnership with the German flag carrier Lufthansa. The airline project was started in February, 1993 by S. K. Modi, Ashutosh Dayal Sharma and Kanwar K. S.
Jamwal and on 5 May 1993 took the first flight from New Delhi to Mumbai. The airline actually started operations within three months of its conception – a record of kinds in itself (wikipedia.com, n.d.).

The market share in March 2013 increased to 20.4% from 17.1% in March 2012, the capacity deployed in Available Seat Kilometers Millions (ASKM) increased by 19.11% due to aircraft induction of Boeing 737 and Bombardier Q400. Revenue Passengers Kilometers (RPK’s) grew by 17.91% and this growth was impacted by marginally lower load factors during the financial year and deployment of the aircraft on relatively shorter sectors. Passengers carried witnessed a growth of 17.00% (SpiceJet 29th Annual Reports, 2012-13). Revenue for the fourth quarter ended March 31, 2013, increased by 31% to Rs 1,456 crore as compared to Rs 1,113 crore of the quarter ended March 31, 2012. The average passenger yields in the March quarter increased 8% as compared to the corresponding quarter a year ago. Load factor during the March, 2013 quarter was 76% from 74% during the same period last year. SpiceJet posted a loss of Rs. 186 crore for the quarter ended March 31, 2013 compared with a loss of Rs. 249 crore for the comparable period last fiscal year. For the financial year ended March 31, 2013 the company net loss stood at Rs 191 crore against a net loss of Rs 606 crore in the prior year (“SpiceJet”, 2013).

**Go Air:**

<table>
<thead>
<tr>
<th>IATA G8</th>
<th>ICAO GOW</th>
<th>Callsign GO AIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>November 2005</td>
<td></td>
</tr>
<tr>
<td>हुब्स</td>
<td>Chhatrapati Shivaji International Airport (Mumbai)</td>
<td></td>
</tr>
<tr>
<td>सेक्टरल हुब्स</td>
<td>Indira Gandhi International Airport (Delhi)</td>
<td></td>
</tr>
<tr>
<td>फ्लेट्सिजा</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>कंपनी स्लोगन</td>
<td>Fly Smart</td>
<td></td>
</tr>
<tr>
<td>पेंट्रेंस ग्रुप</td>
<td>Vistara Group</td>
<td></td>
</tr>
<tr>
<td>नेशनल कापिटल</td>
<td>Maharashtra, India</td>
<td></td>
</tr>
<tr>
<td>क्लीनकेर</td>
<td>耶鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺鈺</td>
<td></td>
</tr>
<tr>
<td>वेबसाइट</td>
<td><a href="http://www.goaer.in">www.goaer.in</a></td>
<td></td>
</tr>
</tbody>
</table>

GoAir is an Indian low-cost airline based in Mumbai. Go Airlines (India) Ltd. is the aviation foray of the Wadia Group. The airline operates its services under the brand GoAir. GoAir launched its operations in November 2005. GoAir, a low-fare carrier launched with the objective of commoditizing air travel, offers airline seats at marginal premium to train fares across India. The airline currently operates across 21 destinations over 100 daily flights and approximately 707 weekly flights. Its hubs are at Chhatrapati Shivaji International Airport, Mumbai and Indira Gandhi International Airport, New Delhi (GoAir, n.d.).

GoAir was founded in the year 2005 by Jehangir Wadia, the younger son of eminent Indian industrialist Nusli Wadia. The airline marked the entry into the critical aviation sector for the Wadia Group, an Indian business conglomerate famous for its companies like Bombay Dyeing and Britannia Industries. The Wadia group wholly owns the airline. GoAir launched its operations in November 2005 using Airbus A320 aircraft. In April 2012, the airline moved from sixth and last place to fifth in terms of market share due to the financial crisis at Kingfisher Airlines. But following the grounding of Kingfisher Airlines, the airline once again has the lowest market share (8.8%) as of January 2014 (wikipedia.com, n.d.).

**Paramount Airways:**

Table 3.7: Paramount Airways

<table>
<thead>
<tr>
<th>IATA</th>
<th>ICAO</th>
<th>FMW</th>
<th>Callsign</th>
<th>PARAWAY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong></td>
<td><strong>2.</strong></td>
<td><strong>3.</strong></td>
<td><strong>4.</strong></td>
<td><strong>5.</strong></td>
</tr>
<tr>
<td><strong>Founded:</strong></td>
<td>October 2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ceased Operations:</strong></td>
<td>August 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hubs:</strong></td>
<td>Chennai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Frequent-Flyer Program:</strong></td>
<td>Paramount Royale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fleet Size:</strong></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Destinations:</strong></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Company Slogan:</strong></td>
<td>A world of difference</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parent Company:</strong></td>
<td>Paramount Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Headquarters:</strong></td>
<td>Chennai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key People:</strong></td>
<td>M. Thiagarajan (MD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Website:</strong></td>
<td><a href="http://www.paramountairways.com">www.paramountairways.com</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Paramount Airways was an airline based in Chennai, India. It operated scheduled services, mainly targeting business travellers until it ceased operations in 2010. Its hub was Chennai International Airport and was the first airline in India to launch the New Generation Embraer 170/190 Family series aircraft. The airline is planning to restart operations by May 2013 with six ATR-72-600 aircraft. The airline started operations in October, 2005 with the company head-quartered in Madurai, also the location of Paramount Textiles. It operated to regional destinations in south and eastern India until early 2010. In November, 2010, it was announced that Paramount Airways had won their legal battle and were set to resume services with a fleet of Airbus and Bombardier aircraft. Normalization of the route network was scheduled for December 2010, but did not materialize. A British court awarded the airline Rs 1,650 crore as compensation in a lawsuit with GECAS in November 2012 (wikipedia.com, n.d.).

The airline has also started the process to recruit personnel, including pilots, cabin crew, engineers and ground staff. The airline plans to restart with staff strength of 900 people. The core team that was earlier running the airline is already there, and the rest would be hired in the coming weeks. Several old employees have been called back. Paramount Airways wants to initially concentrate on the southern states where it had a stronghold and enjoyed customer loyalty. Apart from reopening its earlier bases, Paramount is planning to fly to Mysore, Tuticorin and Puducherry to name a few new destinations (The Hindu, 2013a).

**Current Scenario of Indian Airline Industry:**

In India, the industry sector continues to look promising. The liberalization of the Indian aviation sector in the mid-nineties resulted in significant growth due to the entry of private service airlines. There was, and continues to be a strong surge in demand by domestic passengers, due primarily to the burgeoning middle class with its massive purchasing power, attractive low fares offered by the low cost carriers, the growth of domestic tourism in India and increasing outbound travel from India. In addition, the government has also focused on modernizing non-metro airports, opening up new international routes, establishing new airports and renovating existing ones (Overview of Indian Aviation Industry, n.d.). The rapidly expanding aviation sector in India handles 2.5 billion passengers across the world in a year; moves 45 million tonnes (MT) of cargo through 920 airlines, using 4,200 airports and deploys
Chapter 3

27,000 aircraft. Today, 87 foreign airlines fly to and from India and five Indian carriers fly to and fro from 40 countries (IBEF, 2011).

In 1994, India’s Air Corporation Act of 1953 was repealed giving private airlines the opportunity to schedule serviced flights. Following this repeal, a host of new airlines have sprung up to meet India’s need for air travel.

Table 3.8: showing Air Travel situation of India for the year 2012 in comparison with other countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Departures per 1,000 people</th>
<th>Population</th>
<th>GDP</th>
<th>GDP per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>3.89</td>
<td>0.19 billion</td>
<td>2.09 billion</td>
<td>$10,710</td>
</tr>
<tr>
<td>Russia</td>
<td>3.35</td>
<td>0.14 billion</td>
<td>1.48 billion</td>
<td>$10,440</td>
</tr>
<tr>
<td>China</td>
<td>1.6</td>
<td>1.34 billion</td>
<td>5.93 billion</td>
<td>$4,429</td>
</tr>
<tr>
<td>India</td>
<td>0.52</td>
<td>1.22 billion</td>
<td>1.72 billion</td>
<td>$1,410</td>
</tr>
</tbody>
</table>


India still remains significantly underpenetrated in the civil aviation sector. Table 3.8 reveals that at present there are only 0.52 departures per 1,000 people in India and less than 2% of Indians travel by air each year. However, this creates a huge opportunity as India has 1.2 billion people and a rising and upwardly mobile middle class (Downs, 2012).
Table 3.9: Annual - Total (Domestic + International) Traffic of Indian Carriers for last Ten Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Aircraft Flown</th>
<th>Passengers</th>
<th>Available Seat KMS (Million)</th>
<th>PLF (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours (No.)</td>
<td>KMS (000)</td>
<td>Carried (No)</td>
<td>KMS. Performed (Million)</td>
</tr>
<tr>
<td>2002-03</td>
<td>424264</td>
<td>250340</td>
<td>18151799</td>
<td>28667</td>
</tr>
<tr>
<td>2003-04</td>
<td>489814</td>
<td>287023</td>
<td>20169524</td>
<td>32674</td>
</tr>
<tr>
<td>2004-05</td>
<td>574082</td>
<td>333115</td>
<td>24771264</td>
<td>40302</td>
</tr>
<tr>
<td>2005-06</td>
<td>712858</td>
<td>414516</td>
<td>31752173</td>
<td>51567</td>
</tr>
<tr>
<td>2006-07</td>
<td>917080</td>
<td>534133</td>
<td>43353973</td>
<td>63874</td>
</tr>
<tr>
<td>2007-08</td>
<td>1144259</td>
<td>680384</td>
<td>53492771</td>
<td>77847</td>
</tr>
<tr>
<td>2008-09</td>
<td>1211765</td>
<td>712681</td>
<td>49516433</td>
<td>78445</td>
</tr>
<tr>
<td>2009-10</td>
<td>1253635</td>
<td>716202</td>
<td>56948624</td>
<td>89443</td>
</tr>
<tr>
<td>2010-11</td>
<td>1354728</td>
<td>761774</td>
<td>67000819</td>
<td>103171</td>
</tr>
<tr>
<td>2011-12</td>
<td>1460502</td>
<td>830289</td>
<td>75216631</td>
<td>112794</td>
</tr>
</tbody>
</table>


The table 3.9 shows the Annual-Total domestic plus international Traffic of Indian Carriers for the last Ten Years. The Passengers Load Factor during the year 2011-12 was 75.1% as against 75.0% during the corresponding period of previous year, thereby registering a growth of + 1%. Available Seat Kilometer (ASK) was increased from 13,7491 million to 15,0150 million during the year 2011-12.
Table 3.10: Annual-Total (Domestic + International) Operating Statistics of Indian Carriers for last Ten Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo Carried (Tonnes)</th>
<th>Tonne Kms. Performed (Million)</th>
<th>ATK (Million)</th>
<th>WLF (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freight</td>
<td>Mail</td>
<td>Total</td>
<td>Pax.</td>
</tr>
<tr>
<td>2002-03</td>
<td>258343</td>
<td>24971</td>
<td>283314</td>
<td>2559</td>
</tr>
<tr>
<td>2003-04</td>
<td>272031</td>
<td>23157</td>
<td>295188</td>
<td>2936.8</td>
</tr>
<tr>
<td>2004-05</td>
<td>328161</td>
<td>29147</td>
<td>357308</td>
<td>3616</td>
</tr>
<tr>
<td>2005-06</td>
<td>335154</td>
<td>33506</td>
<td>368660</td>
<td>4628</td>
</tr>
<tr>
<td>2006-07</td>
<td>367643</td>
<td>22472</td>
<td>390115</td>
<td>5713</td>
</tr>
<tr>
<td>2007-08</td>
<td>422509</td>
<td>22957</td>
<td>445466.2</td>
<td>7025.8</td>
</tr>
<tr>
<td>2008-09</td>
<td>423703</td>
<td>27997</td>
<td>451700</td>
<td>7213</td>
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<tr>
<td>2009-10</td>
<td>513706</td>
<td>33361</td>
<td>547066.6</td>
<td>8002.6</td>
</tr>
<tr>
<td>2010-11</td>
<td>619785</td>
<td>24846</td>
<td>644631</td>
<td>9068.7</td>
</tr>
<tr>
<td>2011-12</td>
<td>602252</td>
<td>18592</td>
<td>620844</td>
<td>10151</td>
</tr>
</tbody>
</table>


The table 3.10 displayed the Annual-Total domestic plus international Traffic of Indian Carriers for the last Ten Years. The Weight Load Factor (WLF) during the year 2011-12 was 64.5% as against 65.2% during the corresponding period of previous year, thereby recording a decline of -0.7 % . The Available Tonne Kilometer (ATK) was increased from 16506.1 million to 18533.3 million during the year 2011-12.
Table 3.11: Scheduled Domestic Passenger Traffic and Passenger Load Factor of all Scheduled Airlines for Last Ten Years

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Year</th>
<th>Scheduled Domestic</th>
<th>PPL (%)</th>
<th>PPL Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2002-03</td>
<td>139.5</td>
<td>56.3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2003-04</td>
<td>156.8</td>
<td>58.4</td>
<td>12.4</td>
</tr>
<tr>
<td>3</td>
<td>2004-05</td>
<td>194.5</td>
<td>64.9</td>
<td>24.0</td>
</tr>
<tr>
<td>4</td>
<td>2005-06</td>
<td>252.0</td>
<td>67.6</td>
<td>29.6</td>
</tr>
<tr>
<td>5</td>
<td>2006-07</td>
<td>357.9</td>
<td>68.8</td>
<td>42.0</td>
</tr>
<tr>
<td>6</td>
<td>2007-08</td>
<td>443.8</td>
<td>68.9</td>
<td>24.0</td>
</tr>
<tr>
<td>7</td>
<td>2008-09</td>
<td>394.7</td>
<td>63.7</td>
<td>-11.1</td>
</tr>
<tr>
<td>8</td>
<td>2009-10</td>
<td>453.4</td>
<td>72.0</td>
<td>14.9</td>
</tr>
<tr>
<td>9</td>
<td>2010-11</td>
<td>538.4</td>
<td>77.3</td>
<td>18.8</td>
</tr>
<tr>
<td>10</td>
<td>2011-12</td>
<td>608.4</td>
<td>75.1</td>
<td>13.0</td>
</tr>
</tbody>
</table>


The table 3.11 depicts the Scheduled Domestic Passenger Traffic and Passenger Load Factor of all Scheduled Airlines the last Ten Years. The Annualized Growth rate over last ten years is 17.78%. The Passengers carried by domestic airlines during the year 2011-12 were 608.4 lakhs as against 538.4 lakhs during the previous year 2010-11.
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Chart 3.1: Scheduled Domestic Passenger Traffic and Passenger Load Factor of all Scheduled Airlines for Last Ten Years


The Chart 3.1 shows the Scheduled Domestic Passenger in lakhs, it can be seen that the Scheduled Domestic Passengers were increased from year 2002-03 to 2007-08. In the year 2009-10 the Scheduled Domestic Passengers declined from 443.8 lakhs to 394.7 lakhs. But from the year 2010-11, the Scheduled Domestic Passengers were increased.

Indian Airlines losses in the year 2012-13:
The airlines in India posted a combined loss of $1.65 billion in 2012-13 ($1.15 billion if Kingfisher is excluded), down from approximately $2.28 billion (Rs 12,809 crore) in the previous year, according to a report by Centre for Asia Pacific Aviation (CAPA). More than 40 per cent of the loss was incurred in the last quarter alone, squandering the improved performance posted during the first nine months of the year. Kingfisher's exit from the Indian aviation sector was one of the most significant developments for the market in FY13, it highlighted the fragility of the sector. But as a result of the removal of Kingfisher's seats, combined with the modest capacity
induction by other carriers, the demand-supply dynamics in the market started to favour airlines for the first time since 2004, the CAPA stated in its report. This was reflected positively in the average fares which increased by 15-20 per cent year-on-year. India’s airlines were showing signs of a steady recovery in financial performance during the first three quarters of FY13, but a weak fourth quarter hurt the sector. According to CAPA “Aggressive discounting during the traditionally weak period between January and March in 2013 resulted in losses of $700 million (Rs 3,933 crore) during this quarter alone”. The cost scenario remained difficult throughout the year with the depreciation of the rupee and continued high oil prices being the key challenges (The Hindu business line, 2013).

Chart 3.2: Passengers Carried by Scheduled Domestic Airlines FY 2011-12 vs. FY 2012-13


The Chart 3.2 clearly exhibited the Passengers carried by domestic airlines in the year 2011-12 and 2012-13. It can be seen from the Chart that during the year 2012-13, the Passengers carried by domestic airlines were 259.98 lakhs as against 258.08 lakhs during the year 2011-12, thereby registering a growth of +0.74%.
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Chart 3.3: Indian domestic airlines market share FY2013 vs. FY2012


The Chart 3.3 clearly exhibited the market share of domestic airlines in India. It can be seen from the Chart that in the year 2013, the market share of IndiGo was highest as compared to other domestic airlines, whereas the market share of Kingfisher was lowest among all the domestic airlines. Over the 12 months to 31 March 2013, the carriers moving to fill the space vacated by Kingfisher, all airlines except Jet Konnect saw an increase in their domestic market share over the previous year, but none more so than IndiGo which saw a 7 percentage points’ improvement.

However, despite the moderation in capacity in the market, the steep increase in fares curtailed demand and meant that almost all carriers reported a slight decrease in average passenger load factors during the year, the sole exception to this was Air India (CAPA, 2013a).
Chart 3.4: Average passenger load factors on domestic routes FY13 vs. FY12


The Chart 3.4 depicts that Air India attained a creditable 5% improvement to 69%, although it remained the lowest of all the carriers that are currently operating. However, its load factors in Economy class were much higher (as is the case for Jet Airways) with the average being depressed by the relatively poor performance of business class on domestic routes. IndiGo was once again the standout performer achieving sustained load factors of above 80% throughout the year (CAPA India, 2013).

Air India has delivered a significant improvement in its operational and financial performance in FY13, partly due to improved market dynamics following Kingfisher’s exit, but also as a result of a serious and committed approach by the management of Air India, new marketing initiatives and measures adopted to rationalize its network. Pricing discipline is perhaps the most significant contributor to the improved performance. The carrier may even report a small operating profit for the current financial year ending 31 March, 2013 subject to the impact of the B787 grounding and market conditions. However, the net result will remain significantly in the red (CAPA, 2013b).
On the international front an important development was the fact that in FY13 for the first time a foreign carrier, Emirates, claimed the highest market share for traffic to/from India. Air India, historically the market leader on international routes was impacted by the grounding of its 787s for most of the last quarter. While India’s second largest international carrier, Jet Airways, saw only a marginal increase in traffic as it consolidated its network and dropped services to points such as New York JFK, Milan, Johannesburg and Kuala Lumpur (CAPA India, 2013).
Table 3.12: Reported and Estimated Indian Carrier Revenue and Net Income in FY12 and FY13

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Revenue</th>
<th>Net Income</th>
<th>Revenue</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India</td>
<td>USD2.6 bn</td>
<td>(USD1.4 bn)</td>
<td>USD3.0 bn</td>
<td>(USD950 mn)</td>
</tr>
<tr>
<td>GoAir</td>
<td>USD278 mn</td>
<td>(USD24 mn)</td>
<td>USD375-400 mn</td>
<td>(USD14-16 mn)</td>
</tr>
<tr>
<td>IndiGo</td>
<td>USD1.0 bn</td>
<td>USD23 mn</td>
<td>USD1.5-1.6 bn</td>
<td>USD100-110 mn</td>
</tr>
<tr>
<td>Jet Airways</td>
<td>USD2.7 bn</td>
<td>(USD226 mn)</td>
<td>USD3.0 bn</td>
<td>(USD87 mn)</td>
</tr>
<tr>
<td>JetKonnect</td>
<td>USD340 mn</td>
<td>(USD33 mn)</td>
<td>USD387 mn</td>
<td>(USD53 mn)</td>
</tr>
<tr>
<td>SpiceJet</td>
<td>USD1.0 bn</td>
<td>(USD423 mn)</td>
<td>USD91 mn</td>
<td>(USD500-520 mn)</td>
</tr>
<tr>
<td></td>
<td>USD720 mn</td>
<td>(USD109 mn)</td>
<td>USD1.0 bn</td>
<td>(USD34 mn)</td>
</tr>
</tbody>
</table>


The airlines in India have an estimated combined debt of approximately USD14.5 billion (with additional vendor related liabilities of around USD2 billion), compared with an average cash position of just USD500-550 million. Air India holds just over 60% of that debt, with full service carriers combined accounting for close to 90%, although the Jet Airways Group reduced its debt position from USD2.62 bn to USD2.25 bn during FY13. A key contributor to the overall debt has been the industry’s accumulated losses since 2007 which were approaching USD9.5 billion as at 31 March 2013. This has resulted in continued erosion of the net worth of India’s carriers which are estimated as follows:

- Air India (FY12): (USD3 billion)
- GoAir (FY12): (USD107 million)
- IndiGo (FY12): USD69 million
- Jet Airways: (USD62 million)
- Jet Konnect: (USD311 million)
- SpiceJet: (USD41 million) (CAPA, 2013a).

The industry is grappling with high aviation turbine fuel (ATF) prices - oil prices have hovered around their peak of $110 a barrel - as also slack demand and rupee
depreciation. The last is especially painful for a business in which 75 per cent of costs are dollar-denominated. All these issues have led to softening of yields per seat, an important measure of an airline’s health. A report by India Ratings & Research, a Fitch Group company, notes that the number of domestic flights landing at major government-run airports in Ahmedabad, Chennai, Goa and Kolkata declined 5.27 per cent year-on-year to 22.97 million in 2012/13. Airports make their revenues per landing, so fewer landings means less revenue (Singhal, 2013).


For Jet, yields for the second quarter dropped 11 per cent to Rs 7,376 from Rs 8,335 in the corresponding quarter of the previous year. SpiceJet, which got its strategy right
with regional expansion and off-beat destinations such as Kabul, Afghanistan, and Guangzhou, China, is struggling due to lack of leadership after CEO Neil Mills quit in July. On March 31, 2013, its debt was Rs 1,802 crore. GoAir has appointed investment bank JP Morgan to scout for an investor. There have been reports that it is in talks with Japanese carrier ANA, and Germany’s Lufthansa, although both foreign carriers have denied this. GoAir’s size, its order for 72 Airbus A320neos, its strong presence in the Mumbai-Delhi sector, and the likelihood that the government will ease the 20-aircraft minimum could all make it easier for GoAir to go international. The other large full-service airline, Air India, is also optimistic. The carrier, which accounts for 60 per cent (Rs 40,000 crore) of the industry’s debt and two-thirds of its losses, turned cash-positive in the first quarter of this financial year and cut its debt by over Rs 3,000 crore. The budgeted loss for 2013/14 is Rs 3,900 crore, but IndiGo was exceptional with an estimated $100-110 million profit on revenue of $1.5-1.6 billion (Singhal, M., 2013).

**Indian Airlines Industry recovery in 2013-14**

Indian aviation industry in 2013 gradually started emerging out of a long-drawn crisis with air traffic on an upward growth trajectory and major policy changes in areas like FDI starting to have their impact. The year 2013, also saw a major policy shift in opening up of six major airports, developed by state-run Airports Authority of India, to private partnership. Though requests for proposals have been issued for private and foreign parties to participate in the process, the concession agreements are yet to be finalized (Business Standard, 2014).

The biggest achievement for Air India was the move of Star Alliance to reconsider its decision to allow the national carrier to join the grand alliance. This would further strengthen Air India. Air India also decided to sell five of its fuel-guzzling Boeing 777s to Etihad for an unspecified amount. Go Air inducted more planes into its fleet, and reported higher market share. The year also witnessed the launch of a new airline Air Costa. The rising cost of aviation fuel continued to pose challenges for the sector in 2013. Despite this, with FDI being allowed, Indian aviation sector could grow at the rate of 120-130 per cent as more international carriers would look at investing in domestic airlines (The Hindu, 2013c). Air India improved its overall performance, with its revenues showing a positive trend, improvements in passenger traffic and marginal reductions in costs, primarily due to hedging of aviation turbine fuel,
inducting the Dreamliners on sale-leaseback basis and selling off five Boeing 777s to Etihad. The price of aviation turbine fuel (ATF) remained stabilized at a high level, accounting for 45-50% of Indian carriers' total costs, compared to 30% for major global airlines (Business Standard, 2014).

The passenger throughput grew by around 6 to 8 per cent in the year 2013. This growth is commendable given various challenges such as slowdown in the economy, devaluation of the rupee, increase in ATF prices, austerity measures by corporate sector and subdued demand from the tourist sector. Most airlines continued to suffer losses but IndiGo announced a net profit of Rs. 700 crore, a record in its profitable growth. Air India also sharply improved its financial position following the restructuring of loans and fresh equity infusion from the Government of India. The national carrier improved its on-time performance and market share, a remarkable achievement from a team led by its Chairman Rohit Nandan (The Hindu, 2013b).

India is the ninth largest aviation market in the world, and is poised to be the third biggest by 2020. By that time, annual traffic at Indian airports is expected to reach 450 million. Some 90 million passengers are expected to pass through Delhi alone, every year. The international passenger traffic in and out of India in 2013 was 43 million — an increase of 5.5% over the previous year. According to Kapil Kaul, South Asia CEO of Capa, “Financial instability continues and the industry faces serious viability challenges. Investor interest is almost invisible and government policies approved recently continue to face on-ground challenges — including delays in AirAsia’s clearances” (Srivastava, 2013).

**Industrial Relations in Airline Industry in India:**

Industrial relations play a significant role in ensuring a positive image not only internally but also with stakeholders outside the airline. Healthy industrial relations ensure better management and better operational control of the organization. Unhealthy and bitter relations between employers and employees not only affect the profitability of the organization, but also tarnish the overall image of the company. Especially in the aviation sector, this issue is probably more pronounced than most other industries with more scope for the unfairly expropriation of profits as well as management failing in their job of appropriation of fair wages to their employees. Also, bitterness in industrial relations tends to increase chances of disputes, strikes, grievances and lockouts as well as inculcates in the minds of the employees sense
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anguish. Good industrial relations, on the other hand, helps to bring about organizational peace which in turn tends to improve production and enhances the delivery of services as well as promotes co-operation. It also aids in creating industrial democracy, discipline and a supportive workplace environment. Finally, positive industrial relations improve employee morale and motivate the workers to perform better (Kathpal, 2012).

In the past few years, there has been a steady increase in the number of labour disputes, flash strikes, delays in payment of salary and mismanagement of employees. The airlines suffer from low productivity, high costs, poor staff morale, significant unresolved human resource issues and an unviable business model. In Kingfisher Airlines the strike, which began on September 30 2012, involved airline engineers who were soon joined by pilots and some cabin crew. The company’s domestic and international flights out of Mumbai and New Delhi were halted by the walkout. The media reports that 500 employees, including 30 pilots, 250 engineers and cabin crew, have been involved in the strikes. This was the fourth walkout by the Kingfisher employees over the last eight months. In August 2012, pilots struck twice over the non-payment of salaries (Simon and Kumara, 2012).

Cash-strapped Air India, which has 14 unions representing all sections of its employees, has suffered three strikes since its merger, including two by its pilots. The thorny issues rose during these agitations included pay parity and career progression between the staff of the two erstwhile carriers (The Financial Express, 2012).

On 7, May 2012, Indian Pilots Guild (IPG) representing pilots of erstwhile Air India Limited barring an agitation in view of the management’s decision to send pilots of erstwhile Indian Airlines also for training of B-787 Aircraft. There were several Air India pilots who were deputed to Air India Express for its light operations; the mass sick reporting by such pilots also affected flight operation of Air India Express. The Management took a serious view of the above action. IPG was de-recognized and its office in Mumbai was sealed. Some Pilots including all office bearers of IPG were dismissed, the government was approached for cancellation of the licenses issued by the DGCA to the pilots and a show cause notice was issued by DGCA to the erring pilots (Annual Reports of Air India, 2011-12).

In Jet Airways, over 700 technicians quietly protested against the extreme work conditions. According to the employees, Jet Airways makes them work extended hours without breaks to ensure planes are available for flights. They have also accused
the airline of paying them paltry salary of around Rs. 15,000 per month, not
commensurate with the work that they put in. Jet Airways had categorically denied
these allegations. According to the newspaper the Hindu, the employees said “We
have been made to work for up to 12 hours a day without any break and that too in
extreme climatic conditions. We are not provided with basic infrastructure” (The
Hindu, 2013c).

Drivers to the Growth of the Indian Aviation Sector
The drivers to the growth of Indian aviation sector are as follows:

1: **Rising Gross Domestic Product (GDP):** Growth rate of the economy has been
steadily rising. For instance, in the period 1990-91 to 2003-04, the Compound Annual
Growth Rate (CAGR) of India’s GDP works out to 5.7% which then rose to 8.6% during
2004-05 to 2010-11. The growing economic activity resulted in greater
business travel24 by professionals and greater leisure travel by individuals.

2: **Expanding Middle-Income Group:** According to National Council of Applied
Economic Research (NCAER), India’s middle class population to touch 267 million
in 5 years. Further ahead, by 2025-26 the number of middle class households in India
is likely to more than double from the 2015-16 levels to 113.8 million households or
547 million individuals (wikipedia.com, nd). Only a quarter of India’s 1.2 billion
people can be defined as “middle class” according to standards set by the Asian
Development Bank. They are all in the top third, by wealth, of Indian society, but in
absolute numbers they are about as big as the entire American population. At 25
percent of the population, India’s middle class is small – that compares to 63 percent
in China, 50 percent in Bhutan and 40 percent in Pakistan. According to the reports of
McKinsey Global Institute, “India’s total household consumption is expected to
multiply four times in just two decades, between 2005 to 2025.” By its estimates, the
country’s middle class will be 583 million strong by 2025, making India the world’s
fifth-largest consumer market (Mustafi, 2013).

3: **Demographic Dividend:** 62% of the population is in the working age group of 15-
60 years and this proportion is set to increase in future indicating a larger employee
base, greater business travel and greater economic activity.

4: **Rising Urban Population:** Urbanization is taking place at a faster rate in India.
Population residing in urban areas in India, according to 1901 census, was 11.4%.
This count increased to 28.53% according to 2001 census, and crossing 30% as per
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2011 census, standing at 31.16%. According to a survey by UN State of the World Population report in 2007, by 2030, 40.76% of country’s population is expected to reside in urban areas (wikipedia.com, n.d.). In this regard Pranab Mukherjee (former Finance minister of India) at the 10th National Convention of Confederation of Real Estate Developers’ Associations of India said that “India’s urban population will more than double to over 600 million by 2035 as increasing number of people migrate to cities because of better infrastructure and employment opportunities. With sustained high economic growth, the pace of urbanization is set to accelerate. The next 25 years should see the urban population living in Indian towns and cities doubling. Currently, nearly 300 million people live in urban areas in India, which is almost equal to the population of the United States and larger than the population of many countries put together. However, the percentage of population living in urban areas is quite low in India. Only 28 percent Indian people live in cities and suburbs against the worldwide average of over 50 percent (The Times of India, 2010).

5: Significant Market Developments: Low-cost air carriers are eating into the market share of full service airlines in the business travel category as corporates’ are adopting conservative travel policies to reduce their cost of operations especially after the 2008 global financial crisis. As per Global Business Travel Association, the Indian corporate travel market was estimated to be about $20.8 billion and is expected to grow at a compounded annual growth rate of 10.8 per cent till 2015. “Low cost airlines have gained 54 per cent market share in India and are growing fast due to the huge middle class and the growing penetration in this segment. The Indian business sector too has caught on to the fancy of the low-cost carriers, driven by the need to reduce costs and also because these carriers have improved their on-time performance,” observed, Anna Singh, assistant managing director, ATPI, one of the world’s leading travel management company while addressing Business Travel Forum 2013 (Deccan Chronicle, 2013).

6: Investments in Airport and Related Infrastructure: To enhance airport infrastructure in India, modernization of existing airport infrastructure in metro & non-metro cities and construction of Greenfield airports were contemplated to bridge the gap between the available airport capacity and the projected demand. Resources being limited, strategies were evolved to augment and create airport capacity ahead of demand schedule at busy airports in an optimal manner by leveraging technology and
adapting best management skills & practices including private sector participation in
upgradation of airport infrastructure at airports in Delhi and Mumbai. Over the years,
passerger handling capacity has increased from 72 million (FY06) to 233 million
(FY12). Although growth in passenger traffic is negative this fiscal, it is expected to
bounce back with promotion of regional connectivity. XII Five Year Plan (2012-17)
envisages an investment of Rs. 65,000 crores at Indian airports, of which around
Rs.50,000 crore is expected from the private sector (AAI, 2013).

7: Thrust on Remote Area Connectivity: With government identifying over 50 small
towns and cities to build or modernize airports, a new policy is on the anvil to ensure
that airlines fly to these regional airports without bothering about commercial
viability of operations. In this regard Civil Aviation Secretary K.N. Shrivastava said
at an ASSOCHAM conference on aviation and tourism in New Delhi that “Government
will play a vital role in connecting remote areas. A regional airline policy will be in
place soon. The thrust area of the policy will be to ensure that airlines connect these
remote areas without bothering about commercial viability.” Development of regional
airports was an essential part of the government’s efforts to improve connectivity to
remote areas (Firstpost, 2013).

8: Untapped Market Potential: The air traffic density can be measured by linking
urban Per capita income with air passengers. Taking 1000 passengers per Million
Urban Capita 32, a recent study has arrived at a comparative picture. Air traffic
density in India using this measure is very low at 72 as compared to China (282),
which is 4 times higher; Brazil (231), which is 3 times higher; Malaysia (1225) is 17
times higher, U.S.A. (2896) is 40 times higher and Sri Lanka (530), which is 7 times
higher as exhibited in Chart 3.7. This indicates the untapped market potential given
the projected burgeoning young population and rising disposable income levels in
future (MOCA, 2012).
Chart 3.7: 1000 passengers per Million Urban Capita reflecting the potential for growth


9: Growing Tourism: The data released by the Indian Ministry of Tourism in January 2012 showed the country maintained high levels of tourist arrivals growth throughout 2011. Over the year as a whole, arrivals grew by 8.9% year-on-year (y-o-y), with arrivals totalling 6.3mn. Growth was particularly strong in the first half of the year, with the highest growth rate being registered in April, when arrivals grew by 17.7% y-o-y. The growth rate dipped slightly towards the end of the year 2012, registering 4.7% and 5.2% in November and December respectively (India Tourism Report, 2012). The number of domestic tourist visits to states and union territories registered an increase of about 20% during the year 2012 over 2011 as compared to an increase of about 16% in the corresponding period last year.

According to the latest statistics on tourism in India released by the ministry of tourism, the number of domestic tourist visits to the states and union territories was 1,036 million in 2012 as compared to 865 million in 2011 and 748 million in 2010. On the other hand, the number of foreign tourist visits to states and union territories registered a growth of 6% during the year 2012 over 2011 as compared to a growth of 8.9% in 2011 over 2010. The number of foreign tourist visits to the states/union territories was about 21 million in 2012 as compared to about 20 million in 2011 and 18 million in 2010 (Singh, 2013).
10: *Global Integration of Businesses*: Global air traffic is seen shifting to Asia Pacific region during the last few years. This is on account of the slowdown in Europe and North America. Within the Asia Pacific region China and India are the two fastest growing economies and they are becoming the epicenter of supply and distribution. Global air traffic Forecasts for 2030 in this context also point to that direction. Charts 3.8 below are self-explanatory. Traffic share of Asia-Pacific in the global traffic are likely to move up and on the contrary traffic share of North America and Europe are set to decline correspondingly (See Chart 3.8) (MOCA, 2012).

Chart 3.8: Continent wise share in Global RPK in 2010-11 and 2030-31

![Chart showing continent-wise share in Global RPK](http://civilaviation.gov.in/cs/groups/public/documents/document/moca_001680.pdf)


11: *Safety and Security in Civil Aviation*: The air transport industry plays a major role in world economic activity. One of the key elements to maintaining the vitality of civil aviation is to ensure safe, secure, efficient and environmentally sustainable operations at the global, regional and national levels. A specialized agency of the United Nations, the International Civil Aviation Organization (ICAO) was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world.
Chart 3.9: Shows the number of total and fatal accidents on commercial scheduled flights during the 2006–2012 periods.


The number of accidents experienced annually was generally stable from 2006 to 2011, varying between 110 and 120 per year, resulting in an equivalently stable accident rate of approximately accidents per million departures until 2011. There was a significant decrease in these figures in 2012. The year 2012 experienced a 21 per cent year-over-year decrease in the total number of accidents in scheduled commercial air transport compared to 2011, while traffic increased marginally (approximately 1 per cent) during the same period. As a result, the 2012 accident rate decreased to 3.2 accidents per million departures (ICAO, 2013).

The Chart below 3.10 shows the change in the accident rate over the previous seven years, with 2012 having an accident rate of 3.2 accidents per million departures, the lowest recorded since ICAO began tracking the global accident rate.
Chart 3.10: Shows the change in the accident rate over the previous seven years, with 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Accident Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4.1</td>
</tr>
<tr>
<td>2007</td>
<td>4.2</td>
</tr>
<tr>
<td>2008</td>
<td>4.1</td>
</tr>
<tr>
<td>2009</td>
<td>4.8</td>
</tr>
<tr>
<td>2010</td>
<td>4.2</td>
</tr>
<tr>
<td>2011</td>
<td>4.2</td>
</tr>
<tr>
<td>2012</td>
<td>3.2</td>
</tr>
</tbody>
</table>


Key Challenges of Indian Airline Industry:

India’s airlines are facing an equally challenging year ahead. Weak balance sheets, increasing costs, regulatory uncertainty, a sluggish Indian economy and a difficult global environment will continue to pile the pressure on airlines, especially the poorer performing carriers. However, this may in turn create market opportunities to exploit for those that are better positioned (CAPA, 2012). Building the future for a successful aviation sector must begin with solving the well-catalogued problems of airlines in India today. The sector is growing, but not profitably. Airline losses approached $2 billion in the year ended March 2012, after losing $3.5 billion over the previous three years. With some relief in oil prices and capacity rationalization the red ink may recede slightly. But the crisis continues. All the network carriers are struggling financially. Kingfisher’s situation is dire. And Air India is on government-provided life-support of financial bailouts and other forms of protection (IATA, 2012).

Every other listed and unlisted airline in India posted losses, though those losses were smaller for each airline compared to FY12. The least loss-making airline was the smallest, GoAir at $14-16 million, followed by SpiceJet at $34 million and Jet Konnect at $53 million. Air India’s negative net income was the largest at $950 million while Jet Airways was at $87 million in FY13. Kingfisher was at $500-520 million Airlines together generated losses of approximately $700 million in the last quarter alone. Jet Airways, which had reported a marginal profit of $2 million over
the first nine months, ended the year with $87 million loss due to one off costs and increased maintenance expenses. While SpiceJet's loss of under $1 million for the first three quarters finished up as a $34 million full year loss due to maintenance costs being more than $30 million higher than last year, coupled with a significant increase in interest expenses. IndiGo was earlier on track to achieve a higher full year profit but it too was impacted by lower than expected yields in Q4. Air India's losses were intensified as a result of the weak fares environment and the grounding of its 787 fleet during a crucial period (Bhattacharya, 2013). The key challenges for Indian airline industry are as follows:

1: Aviation Turbine Fuel Pricing Regime: Cost of ATF (40-50% of their total operating cost) is a formidable challenge for the financial health of airlines. The estimated annual fuel bill for the industry is around $3.4 Billion based on 2010 rates. ATF prices in India are unduly higher than international bench marks resulting in a tremendous financial burden on Indian Carriers. ATF prices in India are nearly 60% costlier than competing hubs like Dubai, Singapore and Kuala Lumpur (See Table 3.13).

<table>
<thead>
<tr>
<th>Location</th>
<th>Price/Kilolitre (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1.400</td>
</tr>
<tr>
<td>Singapore</td>
<td>825</td>
</tr>
<tr>
<td>Bangkok</td>
<td>880</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>810</td>
</tr>
<tr>
<td>Dubai</td>
<td>840</td>
</tr>
</tbody>
</table>


The Economic Survey 2013 reported that “There is need to rationalize the tax regime particularly value added tax on ATF which is in the range of 20-30 per cent in most of the states. A high operating cost environment owing to high and rising cost of ATF coupled with rupee depreciation is making operations unviable for carriers in India.”
Quoting the conclusions of a report from an independent consultant, the Survey reported that the “fuel prices for the airlines in the country are higher by at least 40 per cent than in competing hubs in the region such as Singapore, Hong Kong, and Dubai and this needs to be rationalized.” The Ministry of Civil Aviation is of the view that ATF should be included under the declared category of goods under the relevant provision of the Central Sales Tax Act so that a uniform levy of 5 per cent is achieved. Costs on ATF constitute more than 40 per cent of total costs of airline companies in India (Economic Survey, 2013).

2: Fiscal Regime Governing Aviation Turbine Fuel (ATF): Aviation sector in India face many taxes on the inputs to production – fuel, aircraft leases, airport charges, air passenger tickets, air navigation service charges, maintenance costs, fuel throughput fees, into-plane fuel fees, and other items subject to service taxes. These fees and taxes on inputs are either not present in other matured aviation markets, or are much lower there. The Indian air transportation industry is thus laden with very high costs and larger operating losses than their other counterparts globally.

3: Human Resource Development: The real challenge is to manage the phenomenal growth of air traffic with safety. Safety should be of paramount importance. Closely related to safety in Civil Aviation is skill augmentation in its entire dimension. The task ahead would be of identifying the different categories of personnel required whether technical, managerial, pilots & cabin crew, trainers etc. to meet the needs of airport development & operations, ANS/ATM facilities, and airline operations. A skilled and competent workforce is essential to create a safe and efficient aviation industry. Without this India cannot join the ranks of the leading aviation nations. A vibrant, world class education and training sector is therefore essential to meet the rising demand for skilled workforce at all levels. About 30-40% of the workers at some Gulf carriers and aviation operators are drawn from India. Therefore, demand for aviation personnel is a global phenomenon with Boeing estimating need for 1 million pilots and engineers over the next 20 years. Meanwhile, ICAO forecasts that all regions expect North America are expected to face a shortage of pilots over the next 20 years based on current training capacity. The situation is most acute in Asia Pacific.

According to the Report of Working Group on Civil Aviation for formulation of 12th Five Year Plan (2012-17) the total manpower requirement of Indian carriers is estimated to rise from 62,000 in FY-2011 to 117,000 by FY-2017. This includes the
number of pilots, cabin crew, aircrafts engineers and technicians (MRO), ground handling staff, cargo handling staff, administrative and sales staff. Similar analysis performed for projecting manpower requirements at Indian airports. Employee per million passenger ratio for large airports (Delhi, Mumbai, Chennai, Kolkata, Bengaluru and Hyderabad) was found to be around 65 whereas for remaining airports this ratio was around 200. Based on the projected passenger traffic and assuming the employee per million passenger ratio to become leaner for smaller airports as modernization and other efficiency improvement initiatives are undertaken, the manpower requirement (including ANS) for the airports is estimated to increase from current 20,000 to 26,000-30,000 by FY 2017. (See Chart 3.11) (MOCA, 2012).

Chart 3.11: Manpower requirements estimates for Indian aviation sector


The demand for skilled personnel in the Civil Aviation Sector is a global phenomenon. Therefore, the Indian Aviation and Training Sector needs to keep an eye on the opportunity that is emerging in this space, wherein India could be a low cost high quality education and training hub for the World. The opportunity cost of not investing in human capital required for Civil Aviation sector at this juncture would result in, reduced growth, increased cost of operations, compromise on safety and
missed opportunities. The following Government Training Institutes in India are engaged in the provision of Education and Training Services in the Civil Aviation Sector:

i) Indira Gandhi Rashtriya Urnad Academy (IGRUA)

ii) National Institute of Aviation Management and Research (NIAMAR)

iii) Civil Aviation Training College, Allahabad and Hyderabad airport (MOCA, 2012).

4: Modernization of air navigation services continues: The AAI is not only an airport operator but is also the Indian air navigation services provider. Huge investment in technology and training is required in order to upgrade airspace management to enhance the efficiency of current aircraft movements and to support the projected growth of the Indian aviation sector. This requires a fresh and focused approach to funding and governance for the air navigation services division independent from the AAI’s airport operations. India’s satellite-based augmentation system, GAGAN, is expected to launch in 2014 however capacity building and training of controllers will be a key issue during implementation. GAGAN will however make a major contribution to the efficiency of airspace management. Furthermore the recent agreement to allow flexible use of civilian and military airspace is an important milestone and will allow for more direct routings at certain times of the day. However now that it has been approved speedy implementation is vital. Satellite-based navigation and flexible use of airspace are two initiatives which will be very important in reducing airline operating costs and carbon emissions through lower fuel consumption (CAPA, 2013c).

5: The Government is keen to encourage regional connectivity, but viability remains a key challenge: the government of India is keen to encourage air connectivity to move beyond the large metropolitan cities to Tier 2 and Tier 3 towns across the country. At present 36% of domestic capacity is deployed on connecting just the six largest cities to each other.

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India's Route Dispersal Guideline (RDG) system has been in place for many years. This requires airlines operating on the most lucrative metro routes to deploy a certain proportion of their capacity to connect remote regions. But this framework restricts commercial freedom by forcing airlines to fly routes which are unviable for them. There was a provision allowing airlines to sell excess seats on RDG routes to other carriers but it did not function well and was subsequently abolished. In 2007 a new regional airline licence category was announced. Operators of regional aircraft seating less than 80 passengers are exempt from landing charges and sales taxation on fuel (although Delhi Airport has recently obtained an exemption from the regulator to be able to apply landing charges to small aircraft and may be followed by other airports. Despite this India has no successful, standalone regional airline; this should be a cause for concern. Earlier attempts such as Paramount and MDLR have failed and most recently Mantra has also suspended operations. Intra-state air taxi operators such as Ventura in Madhya Pradesh are struggling while Captain Gopinath’s Deccan Shuttles in Gujarat closed within months of starting. There is clearly a fundamental issue with the viability of regional operations due to the cost structure, airport infrastructure limitations and the overall policy environment (CAPA, 2013d).

An industry of this scale and with such widespread economic multiplier enabling effects cannot be held hostage to inconsistent and unpredictable policy and regulation.
However, the Ministry of Civil Aviation is hampered because many of the key fiscal and policy reforms that could actually have a positive impact on the industry are outside of its purview. Aviation requires bold and pragmatic leadership at this time of crisis, which means that key decisions need to be taken at the level of the Government of India and not just at the Ministry (CAPA India Summit, n.d.).

Conclusion:
The Indian Airline Industry has been going through a turbulent phase over the past several years facing multiple headwinds - high oil prices and limited pricing power contributed by industry wide over capacity and periods of subdued demand growth. The near term challenges facing the airline operators are related to high debt burden and liquidity constraints - most operators need a significant equity infusion to effect a meaningful improvement in the balance sheet. However with the Government avidly supporting private participants, airport infrastructure in India is witnessing improvisation and expansion on a massive scale. The next chapter has been outlined by the researcher to exhibit the profile of the two selected sample airline companies of India one from the public sector and the other from the private sector.
References:


Chapter 3


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Assessed on 10.11.2012.


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