

# 2015 Saw a Few Highs and Several Lows in Indian Aviation

It was an eventful year. Most of the events have already been reported here. Let us recapitulate.

## Aviation Round Up : 2015



The year 2015 saw a few highs and several lows in Indian Aviation.

- 3 new airlines came up
- Spicejet pulled off a miracle, coming back after a near-collapse,
- Indigo got listed
- India regaining the top safety ranking, and
- The draft Civil Aviation Policy remains in limbo even today.

(See Shining stars)



## *Indigo in Kathmandu*

All things considered, fliers might have to pay more from 2016 with the government proposing 2% levy on all air-tickets to fund regional connectivity plans even as the draft policy promises various tax sops for the sector. Many analysts feel that, if properly implemented, the new policy can actually bring the air fares down. (See could have been)

The Civil Aviation Ministry saw a change of Secretary while the two ministers – Ashok Gajapathi Raju and Mahesh Sharma – found themselves differing on various issues including the issue of regulating airfares. 1982 batch Tamil Nadu cadre IAS officer, M Sathiyavathy took over as the first woman head of DGCA, the aviation regulatory body. It was under her tenure, that India's aviation safety rating was restored to the top category by the US aviation regulator Federal Aviation Administration, FAA, which in January 2014 had downgraded rating to Category 2.



*DGCA M Sathiyavathy*

In December, a freak accident saw a service engineer of Air India being sucked into the aircraft engine at Mumbai airport. It once again brought to the fore the workers' safety, quality and maintenance issues at airports. (See Freak acci)

In another development, Chennai airport was shut for five days following unprecedented floods in December. This became an additional natural calamity which the sector has to bear, though the case of Chennai, many experts say, was man made. The other calamity which India's aviation has to contend with is more regular and familiar in the North, that is, the fog. Needless to mention, all such natural calamities cause revenue

loss.

Despite the ups, the top 3 players of Indian aviation earned for themselves the dubious tag of “unfair business practitioner”. The Competition Commission slapped a total penalty of Rs 258 crore on Jet Airways, IndiGo and SpiceJet for alleged cartelisation in fixing fuel surcharge on air cargo. The order is likely to be challenged by them. (See Could have been penalised more)



The main failure on the part of the Civil Aviation Ministry, however, is in finalising the re-drafted aviation policy, despite the Minister of State Mahesh Sharma providing tentative time lines. This policy will eventually decide the fate of existing norms for domestic, inter state, and International operations by Indian carriers.

2015 took off with Vistara launching its first flight to Mumbai from Delhi in January. The Tata-SIA joint venture airline became the 3rd domestic full service carrier after Air India and Jet Airways. Its fleet strength is now up to 9 A320s. It also introduced a new cabin class – premium economy – in addition to conventional business and economy class on its aircraft. (See Vistara)

2 regional airlines –Air Paegasus and TruJet – also began their services in the south.

Promoter Ajay Singh did a remarkable job of turnaround for his Spicejet. It came up with profits in three consecutive quarters till September. Ajay Singh had earlier taken back the reins of Spicejet from the Marans. With several favourable factors like falling fuel prices, rising passenger demand, Spicejet shares might jump another 300% !



The year saw the first airline IPO in 9 years. InterGlobe Aviation mobilised over Rs 3,008 crore from the capital market. It was much more than what the promoters had expected – oversubscribed. Even today, after its listing, in less than 60 days, the share price has gained more than 30%. In spite of this, Indigo has to ask for assistance in its operations from others. (See Indigo appeals)

Airlines from the Gulf have shown keen interest in equity participation with Indigo and Spicejet. Amritsar and Dubai are now connected by Spicejet. The financial credentials of Air India are such that it has to pay more interest to its lenders.

By the end of 2015, Jet Airways saw another change in the top management with Crammer Ball quitting as CEO. Besides, from next March, the carrier would shift its European hub to Dutch capital Amsterdam from Brussels. (See Amsterdam)

In September, it was announced that subsidiary JetLite would merge with parent Jet Airways. In GoAir, its top executive Giorgio D Roni was replaced by Wolfgang Prock-Schauer a former Jet Airways CEO.

Differences in start-up airline AirAsia management – a 3-way joint venture among Malaysia's AirAsia, Tatas and Arun Bhatia's Telestra Tradeplace – came out in the open. Bhatia raised concerns about the state of affairs at the carrier, which is still struggling to break even despite being in the air for over an year.

Air Costa plans to expand its fleet. It may have a pan-India presence soon. (See Pan India). TigerAir brought Lucknow and Singapore closer.

The world admires India's technical expertise in aviation. It also realises that labor costs are still very reasonable in India. Boeing found it feasible to sign a JV with Tatas to make Apache Fuselage in Hyderabad. This is a venture which has the potential to create a number of job opportunities.

The riches-to-rags story of Kingfisher's Mallaya came to its logical end. Its last rites being performed now. (See wilful defaulter). The saga will be remembered as one of a kind where every foreign investor had become so reluctant that it saw a Mallaya in every Indian promoter. Indian aviation suffered.



*Air India CMD Ashwani Lohani*

For state-owned Air India, a change at the helm happened with the appointment of non-IAS officer Ashwani Lohani as CMD who has the unenviable job of turning around the loss-making carrier. A 1980-batch Indian Railway Mechanical Engineering Services officer, Lohani holds four degrees – mechanical, electrical, metallurgical and electronics – for which his name figures in the Limca Book of Records. Despite all his credentials, he is not qualified to certify an aircraft or its component as airworthy as an engineer. (See Air India Maintenance) .

PM's visit to U.K. recently resulted in the introduction of a direct flight between Ahmedabad and London. Air India has also recently started direct services to West Coast in the US with a flight to San Francisco from Delhi and Bangaluru. (See Silicon valley cities)



*In Aviation, India is a major force to reckon with : IATA*

The issue of high airfares and alleged predatory pricing ways in the guise of dynamic pricing also came into the limelight, when some MPs sought regulations in this regard. The issue was finally put to rest by Sharma, when he recently informed the Parliament that there was no proposal before the government to regulate airfares. (See No proposal).

In a move that would make the fliers unhappy, the government in the draft policy has mooted 2% levy to fund regional connectivity plans. This is despite the fact that various tax sops and over 50 per cent FDI for the Indian carriers have been suggested in the draft policy. (See FDI Norms)

Many aviation analysts believe that this is not a nice way to mobilise funds. The policy completely overlooks 'income from other sources' which has huge potential. The policy makers could have made air fares actually cheaper by at least 2%. (See 2% cheaper)

In case of other policy matters, flip-flops went unabated all through the year. Surprisingly, the Aviation Ministry scrapped the proposal to privatise 4 airports at Kolkata, Chennai, Jaipur and Ahmedabad, despite floating invitation for bids. The U-turn came after the deadline for bids was extended multiple times !!

Further, the government decided not to sell stakes in Airports Authority of India (AAI) and Pawan Hans Ltd for the time being.



On whose money does Air India run ? Whether its the passengers' money who fly in its aircraft or whether its the money of those people who do not use its aircraft?

Air India is presently surviving on a Rs 30,000-crore bailout package. It is the tax-payers' money. All included – from the HNIs to the slum dwellers. And, in Air India there are no apparent signs of recovery. It still needs more funds. “Will there ever be an end to it?” the common man asks.

Despite this the Air India CMD says, “I am not in favour of privatisation. I believe in turning around an organisation and not privatising it. In my stint at ITDC, I was branded as anti-disinvestment.” He says that he has no manpower, while 1000s of job-seekers stay lined up outside his office throughout the year and 100s of staff keep protesting inside his company. This is one irony which every common man of the country has to bear.(See Air India Maintenance) .



*Air India Pilots wear black bands in protest*

The most surprising was the government's announcement of signing of a pact between AAI and Singapore Economic Council for management and operations of Ahmedabad and Jaipur airports by Changi Airport. The decision, taken during Prime Minister Narendra Modi's visit to Singapore in November. It duly evoked a strong resistance from the opposition, notably the Congress and CPI-M.

In the meantime, Durgapur became the country's first private operational green field airport. (See Durgapur).

The general business aviation in India could not rise as expected. Its prospects remained bleak due to inadequate infrastructure available and the Government's inaction. (See bleak prospects). Air One is looking for investors. Though, the Baron group has come up with an on line charter booking portal, its prospects don't appear promising considering the huge investments it has made into the venture. (See another portal). The air-charter prices which it offers are very much higher than is otherwise available. Baron clearly is spreading the message that it caters to HNI segment only, while the PM Modi dreams of aviation reaching to the masses.



*Aviation should reach masses*

At the receiving end are the career prospects of 100s of students who pass out from various so-called aeronautical Institutes every six months. They end up as job seekers since there are very few job opportunities available. There is apparently no working mechanism or co-ordination between the Industry and the colleges. Air India is trying to set up a University to nullify just this shortcoming. (See University). Till that time, the 1000s have no option but to wait and see another page of year folding up in the calendar!

*The avid reader can go through the blog archives for full details.*