

**CONSOLIDATION IN THE SKY- A CASE STUDY ON THE  
QUEST FOR SUPREMACY BETWEEN JETLITE AND  
KINGFISHER AIRLINES**

Dr Salma Ahmed  
Reader  
Department of Business Administration,  
Aligarh Muslim University,  
Aligarh  
(salmaahmed6@rediffmail.com)

Yasser Mahfooz  
Lecturer  
Department of Business Administration,  
Aligarh Muslim University,  
Aligarh  
(yassermahfooz@rediffmail.cm)

### **History of the Airline Industry:**

In December 1912, the first domestic air route was opened between Delhi and Karachi by The Indian State Air Services (in collaboration with Imperial Airways of the UK). This marked a new beginning in India. Three years later, Tata Sons started a regular airmail service between Karachi and Madras. At that time, there were a few transport companies operating within and also beyond the frontiers of the country, carrying both air cargo and passengers. Some of these were Tata Airlines, Indian National Airways, Air Service of India, Deccan Airways, Ambica Airways, Bharat Airways and Mistry Airways. The Tata Airlines was converted into a public limited company in the year 1946 and renamed Air India Limited. In 1948 a joint sector company-Air India International was established by the Government of India and Air India headed by J.R.D. Tata. In 1953, the Parliament passed the Air Corporation Act. Air India International and Indian Airlines Corporation came into formal existence and Air India International was nationalized.

The Indian Aviation sector was liberalized in commence in 1990 with private sector players being allowed to operate as air taxi operators in India. A number of private players commenced domestic operations like Damania, East-West, Modiluft, Air Sahara and NEPC, entered the industry. However, a decade later none of them have survived.

Today the Indian Aviation sector is dotted with new players like Air Deccan, Indian Airlines, SpiceJet, GoAir, Air Indigo, KingFisher, Jagson Airlines and Jet Air. The domestic market share is given in Table –1.

### **Air Deccan:**

A wholly owned subsidiary of Deccan Aviation, Air Deccan, is India's first low cost carrier. It has a vision to enable every Indian to fly and has adopted the mascot of the common man of cartoonist Laxman. The common man represents the airline's *simple and no frills approach*. Air Deccan is the *nano* of Aviation industry; what nano plans to do to the automobile industry (converting two wheelers into four wheelers) Air Deccan has done to Aviation industry (shifting people from rail travel to travel by air). The prices of air ticket have down drastically as low price offerings were initiated by Air Deccan. Now focus is towards customers. Today there is a new segment of travelers; the leisure customers. Yet another segment is introduced and that is the first time travelers.

### **Merger:**

Air Deccan airlines merged with Kingfisher Airlines and decided to operate as a single entity from April, 2008. It would be known by a different name-Kingfisher Aviation. The merger is based on recommendations of Accenture, the global consulting firm. KPMG was asked to do the valuation and the swap ratio was decided accordingly. The merger came through on as Vijay Mallya from Kingfisher airlines bought 26% of the stake in Air Deccan. The unification of the two carriers had to be sanctioned not only by the two panels, but also by the institutional investors, independent directors, and other shareholders. Air Deccan had four independent directors-which included prominent persons like IIM Prof Thiru Naraya, Tennis player Vijay Amritraj, and A K Ganguly, Former MD Nabisco Malaysia.

After the merger, the company has a combined fleet of 71 aircrafts, connects 70 destinations and operates 550 flights in a day. The combined entity has a market share of 33%. Gopinath would continue as the Executive Chairman and Malay would take charge as Vice Chairman.

The charter service of the respective airlines would be hived off and operate as a separate entity. Post merger, Kingfisher would operate as a single largest (private) airline in the sub-continent. Besides, operational synergies (engineering, inventory management and ground handling services, maintenance and overhaul), the management and staff of both the airlines would be integrated. They would be stronger vis-a vis lessors, aircraft manufacturers (Airbus in this case), and will also spend less on training and employees. Costs would also reduce which is associated with maintenance of aircraft. The savings in cost would be lower by about 4-5% (Rs 300 crores) (Business Standard, June 3, 2007, p-4) which is a large sum. It would result in a saving of 3 billion in the first year itself through the sharing of aircraft and workers. (Business Standard, June 13, 2007, p-13.) Further, by devising a more optimal routing strategy it could help in rationalizing the fares.

Before the merger Air Deccan recorded a net loss of Rs 213.17 crores on revenue of Rs 437.82 crores for 2006-07. The company had also raised Rs 400 crores through an IPO in May 2006.

The merger will create a more competitive business in scale and scope to emerge as market leader.

Air Deccan began its operations with one aircraft and with one flight but after the alignment with Kingfisher Airlines, has a total fleet of seventy one aircrafts-41 Airbus and 30 ATR aircraft (Business Standard, June 7, 2007, p-8). It operates 537 flights (Business Standard, June 3, 2007, p-4) and covers 70 destinations. It offers point to point service. I

After the merger, it is expected that Kingfisher will focus more on the international routes while Air Deccan will give it a wider domestic reach. Also Air Deccan plans to continue as a low cost carrier while Kingfisher will function as a full-service carrier. There will be immense synergies as both operate Airbus. The average age of the Air Deccan fleet is 6.1 years as of Apr 2006.\* Air Deccan operates a fleet of 43 aircraft comprising 20 brand new Airbus A320 aircraft and 23 ATR aircraft. The Airbus aircraft serve metro routes while ATR are utilized for Tier II and III cites and also for small airports. The newly formed company plans to revisit their fleet plan in coordination with each other to

rationalize the fleet structure. Working on these lines the company has already placed orders from the European aircraft major, Airbus Industries for about 90 aircrafts. These include five of the largest aircraft-A380, the first of which is slated to be delivered to Kingfisher by 2011.

It is also India's largest private sector helicopter charter company, which pioneered heli-tourism in India. It offers point to point service. It has a secondary hub at Chennai.\*Deccan Aviation is the largest private sector helicopter charter company in India. It has a fleet of 12 helicopters and small aircraft deployed in 8 bases across India. These bases are at Bangalore, Mumbai, Delhi, Ranchi, Hyderabad, Surat, Katra and Colombo (Sri Lanka).

There are many changes that have taken place. This period of consolidation in the sky gives a good signal to the airlines industry. It may lead to reducing the over-capacity existing in the market and thereby stabilizing prices, increasing yields and bringing down costs. The era of cheap fares might also come to an end.

#### Limited Air Infrastructure:

In the developed countries, growth in infrastructure kept pace with growth in airline industry. These countries had built various secondary airports. For instance, the city of London itself has more than one airport. These countries also have a seamless ATC (air traffic control) system because of which it is able to handle the growing passenger number. In India no metropolitan city yet has a second airport. These secondary airports have a lower access, landing charges allowing for the cost rationalization. The LCCs in US and Europe have been successful also because of these reasons. In India, demand has been created in the aviation sector and now it is trying to create the needed infrastructure (supply side) to meet the increased demand. The modernisation of airports may ease the situation to a large extent. So would the creation of secondary airports.

#### Cost Structure of an Airline:

The airline industry is most sensitive about the cost of aviation turbine fuel (ATF). This contributes to 40-45% of an airline's operating costs. According to the Federation of Indian Airlines (FIA), the average domestic price of ATF is 60-70% higher than that at regional aviation hubs in Singapore and Dubai. Even the discounted price of ATF for international operations is 40% higher than prices elsewhere. ATF prices consider not only central duties but also state sales tax.

Air travel is expected to become more costly as per the directions given by the civil aviation ministry (which plans to impose cess on air travel to fund development of economically unviable airports and air routes).

#### Air Deccan's Ticketing System:

Air Deccan has been innovating with new schemes. It was the first to introduce the concept of booking tickets online. This is done to avoid travel agency costs. Infact Air Deccan that pioneered the concept of e-ticketing in India and its schedules, fares, and availability of tickets online are published on their website [www. airdeccan.net](http://www.airdeccan.net). It also operates an All India 24\*7 multi-lingual call centre for booking of tickets. Facility for

booking its tickets are also provided at its call centre, travel agents, airport counter, Reliance Webstores in 104 cities, HPCL outlets in select states. Air Deccan's passengers can print out their tickets and exchange them for a boarding pass when they check in. Infact the use of the internet for booking tickets is something the airline companies encourage considering this allows them to evade the middle-men and travel agents et al-agency commission is a big drain airlines as 10-15 % of the ticket cost is given back to the agents as commission.

#### Innovation in Pricing:

Air Deccan introduced the concept of dynamic pricing which means selling at a higher price during high season (tourist season) and selling cheap during the off-seasons. Therefore, everyday the price would change depending upon the kind of competition and also the load factor. Also it introduced various schemes under which tickets were offered at Re 1 also.

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#### Innovative Promotion at Air Deccan:

Air Deccan has also been very innovative in its promotion efforts. It puts its advertisement on OOH (out-of-home) signposts and print advertisements too. It offered 3 lakh seats at the rate of Rs 3 per seat for a certain period. Air Deccan had also initiated special offers targeted at families. Value Flier package, Value Flier Plus, and Super Flier and Super Flier Plus. These are focused on single individual or a family of four. It also promoted a fly for free programme.

#### Financing Air Deccan:

To meet its financial needs, Deccan Aviation Ltd had secured \$100 million funding from European funds Investec Ltd and HSN Nordbank AG by pledging the right to buy 60 planes it has ordered with Airbus Industries. Deccan Aviation has given the right to purchase 60 Airbus A-320 planes worth over \$2 billion at the list price, to South West Aircraft Trading Limited-a company set up in Cayman Islands by Investec Ltd and HSH Nordbank AG.

Deccan Aviation will lease or purchase the aircraft from this leasing company. It will acquire the aircraft from the leasing company at the prevailing market price, allowing the leasing company to book a profit. Deccan Aviation had placed the order with Airbus at a price lower than the present market price.

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#### MRO Facilities:

Maintenance, repair and overhaul facilities are lacking in India. Airlines have been dependent on its foreign counterparts' for such services and as such fly their planes abroad for such services. Air Deccan is setting up its own MRO facility in India. India is also a great hub of outsourcing and given our cost competitiveness, skilled manpower and abundant scope for growth there is reason to make India a BPO hub for the global aviation industry.

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## JET AIRWAYS

Jet Airways, which commenced operations on May 5, 1993, has within a short span of 14 years established its position as a market leader. The airline has had the distinction of being repeatedly adjudged India's 'Best Domestic Airline' and has won several national and international awards.

Jet Airways currently operates more than 365 flights daily with a fleet of 80 aircraft, which includes 10 Boeing 777-300 ER aircraft, 8 Airbus A330-200 aircraft, 53 classic and next generation Boeing 737-400/700/800/900 aircraft and 9 modern ATR 72-500 turboprop aircraft. With an average fleet age of 4.3 years, it is the operator of the youngest aircraft fleet in Asia.

Jet Airways flies to 59 destinations that span the length and breadth of India and also beyond, including New York (both JFK and Newark) Toronto, Brussels, London (Heathrow). In South-East Asia it covers Singapore, Kuala Lumpur, Colombo, and Bangkok. Its destination also includes Kathmandu, Dhaka, Kuwait, Bahrain, Muscat and Doha. The primary hub and maintenance base is Mumbai; whereas Delhi, Kolkata, Chennai, Pune, Bengaluru and Brussels act as Secondary Hubs.

### Ticketing

### Facility:

The reservations are co-hosted in SABRE. Reservations can also be made on all major Computerised Reservations Systems (CRS), e.g., ABACUS, AMADEUS, GALILEO, WORLDSPAN, GETS, AXCESS, TOPAS, INFINI, SITAR and GABRIEL. Twenty-four hour reservations facility is available at Mumbai, Delhi, Kolkata, Chennai and Bengaluru.

Jet Airways' electronic ticketing service is offered on **Error! Hyperlink reference not valid.** It enables passengers to book tickets to any destination on the airline's route network through the Internet. Jet Airways has set up call centers for International and Domestic flights & services that operate round the clock.

Jet Airways, has launched an Interactive Voice Response (IVR) based payment and ticketing service easily accessible to its passengers.

This service has been launched through Jet Airways 24x7 call centers whereby customers can book and pay for their e-Tickets over an exclusively customized and secure IVR system. This latest service allows customers to complete their reservation with their credit cards through a secure gateway and instantly receive their e-Tickets via email, subject to certain terms and conditions.

Jet Airways has set up call centers for International as well as domestic flights & services. The City Check-In facility is available for passengers who are traveling on their domestic network with hand baggage only at Mumbai, Delhi, Kolkata, Chennai, Bengaluru and Indore. Passengers can check-in and collect their boarding pass at the city office at least two hours before the flight time and report at the airport 30 minutes before departure. One can also get the boarding pass for the return flight at the

first point of check-in. For example, if a person is flying Mumbai-Delhi-Mumbai the same day, he can get the boarding pass for the return flight at Mumbai.

He can also have return or onward boarding pass issued if he is returning the next day or travelling onward the next day within 24 hours of departure. (This is subject to the passenger having no baggage for the return or onward sector.) This service is available only when both the origin and return stations are computerised.

Passengers can also get their return or onward boarding passes issued for travel held on another airline but returning on Jet Airways. This is subject to the passenger having no baggage for the return or onward sector and this facility is only available when both the origin and return stations are computerised.

Jet Airways stations have also tele check-in facilities for First class, Première passengers as well as JetPrivilege Blue Plus, Gold, Silver and Platinum Card members. Platinum and Gold Card members can tele-check-in 48 hours in advance. Silver and Blue Plus members can tele-check-in 24 hours in advance. Passengers may tele check-in upto one hour prior to departure and must arrive at the airport check-in counter at least 30 minutes prior to departure.

However, Blue Plus members are required to report 45 minutes prior to departure. For International flights all passengers are required to tele check-in upto four hours prior to departure and they are required to report 45 minutes prior to departure.

Jet Airways' online facility for Web Check-in is currently available for passengers holding a confirmed and valid E-ticket, anytime between 48 hours and 60 minutes prior to their flight departure, in most of the airline's destinations across India. E-tickets are also issued through Travel Agents, Jet Airways portal, Jet Airways airport and city offices.

In this way, Jet Airways has been able to introduce another pioneering initiative that allows customers not only to select their preferred seat but also to print their boarding pass for their same day return flight on **Error! Hyperlink reference not valid.**

#### Kiosk Check-in:

Kiosk Check-in is available for domestic flights and can be completed at Jet Airways' kiosks located at the airport. When a customer uses kiosk check-in, the system performs a name check, verifies the PNR, enables passengers to select their preferred seats and print their boarding passes using the printer integrated with the kiosk. Kiosk Check-in enables passengers carrying only to proceed directly for security check and thus experience a hassle-free check-in. Currently, Kiosk check-in facility is available at the Mumbai, Delhi, Chennai, Hyderabad, Kolkata and Bengaluru Airports.

Jet Airways introduces "check-in while walk-in" at Mumbai and Bengaluru airports. With a view to ease the process of check-in, this new initiative would facilitate the airline's passengers as also the airport staff and will supplement the kiosks as well as the existing check-in counters of Jet Airways. Using this solution, the mobile agent can quickly access and verify the travel reservation details of the passenger, complete check-in functions and generate a boarding pass, either Premiere or Economy, and book them on their choice of seats.

This facility would be introduced at the Metro airports first, followed by some of the other airports, with infrastructure related challenges.

Interline:

Jet Airways has interline agreements with 133 international airlines which allow passengers to use interline documents on Jet Airways for their travel.

Jet Airways also has interline agreements with 64 carriers for carriage of cargo to their destinations.

JetPrivilege:

JetPrivilege was relaunched in July 2004 making it India's first 5 tiered programme, each with its own unique set of privileges. It had added features such as Personalized interactive online access to membership, ease of enrollment, multiple mileage earning opportunities, accrual of JPMiles on Jet Airways facilities, wide range of Program Partners.

Benefits and Privileges:

JetPrivilege members are entitled to a range of special benefits and privileges befitting their tier status, as mentioned below: Web check-in, Tele check-in, Kiosk check-in, Check-in at First class, Première counters for JetPrivilege Platinum, Gold and Silver members can check-in at the First Class, Première counters, even when traveling Economy class. Jet Airways Citibank Gold Credit Cardholders can avail of this facility at airports in India. JetPrivilege Platinum and Gold members and Première passengers can also check-in at the exclusive Park Avenue counter at London Heathrow, Lounge access Additional baggage allowance, Guaranteed reservation up to 24 hours before departure, Priority stand-by, Upgrade vouchers.

Benefits on partner Airlines KLM and GULF AIR:

JetPrivilege Platinum, Gold and Silver members can check-in at Première or First Class counters and get additional baggage allowance when travelling on KLM and Gulf Air, irrespective of the class of travel. JetPrivilege Platinum and Gold members can use the lounges at select international airports when traveling on KLM and Gulf Air, irrespective of their class of travel. JetPrivilege Platinum, Gold and Silver get Priority luggage handling on Gulf Air.

Partners - Enhanced Partnerships:

A large and varied list of Programme Partners allows JetPrivilege members to enjoy special benefits across various travel-related industries. Our Programme Partners include some of the leading names in banking, airlines, hospitality, car rental, telecommunication services and publishing. Some of our global partners have a prominent presence in the international cities that Jet Airways now flies to. JetPrivilege members not only earn JPMiles when they fly with us, but also when they avail the services of our carefully chosen partners.

JetPrivilege provides members with an exclusive opportunity to earn Partner JPMiles whilst they take a scheduled flight with Airline Partners, Lufthansa, KLM Royal Dutch Airlines, SWISS, Austrian Airlines, Northwest Airlines, Gulf Air and Qantas on a

qualifying ticket / sector. They can also redeem JPMiles for Award Tickets on flights operated by Airline Partners - Lufthansa, KLM Royal Dutch Airlines, SWISS, Austrian Airlines, Northwest Airlines, Gulf Air and Qantas.

Jet Airways has forged frequent flyer alliances with Air France and South African Airways. JetPrivilege members can now accrue and redeem JPMiles by flying Air France from Bengaluru, Chennai, Delhi, Mumbai and onwards to 185 destinations across the globe. Similarly, JetPrivilege members taking South African Airways flights from Mumbai to Johannesburg can get themselves conveniently connected to 34 cities in 25 countries, and access to over 20 South African domestic routes. JetPrivilege members can also accrue and redeem JPMiles by flying South African Airways.

It has further extended its facility for convenience of customers by partnering with "Worldhotels". Worldhotels has over 500 properties worldwide, with telecom service provider Sim Airways to stay connected with the world with ONE international roaming number, and AVIS, the car rental provider with whom the partnership has gone global with over 5,000 car rental locations to choose from.

A Jet Airways frequent flier member also earns JPMiles through programme partners like- Hilton Family hotels, Hyatt Hotels & Resorts, The Leela Palaces & Resorts, ITC-Welcomgroup, Oberoi Hotels & Resorts, Radisson Hotels & Resorts, The Park Hotels, Hertz Car Rentals and Avis Car Rentals, Matrix cellular services. It also provides other facilities to its JetPrivilege members. These members have the advantage of complete online access to their account through the airline website **Error! Hyperlink reference not valid.** This enables them to access their personal JetPrivilege account information anytime, anywhere.

#### Inflight services:

Jet Airways offers customers exemplary inflight services in First Class, Première and Economy classes on all sectors. During flight, the Crew also take special care of unaccompanied minors. A special giveaway 'JetKids' is also offered to children for their recreation.

For International Operations they offer multinational Cabin Crew. A wide-choice of inflight entertainment, gourmet meal service is provided.

Internationally, the IFE systems are available on a selected fleet strength. "JetScreen" is also available on aboard these international flights, with a choice of Hollywood and Bollywood movies.

On the Airbus 330 aircraft we offer state-of-the-art Panasonic 3000i AVOD(Audio Video On Demand) entertainment to every single passenger on the Airbus 330. The film and audio content is changed on a bi-monthly basis.

Eight music channels are also offered to the passengers.

JETLITE (PREVIOUSLY AIR SAHARA)

JetLite a wholly owned subsidiary of Jet Airways India Ltd, was acquired by Jet Airways in April 2007. Positioned as a Value based Airline, JetLite promises to offer value for money fares, in flight meals at no extra cost, in flight shopping and much more.

JetLite, the low cost carrier of Jet Airways, is taking the service positioning route instead of low fare, to beat competition in this space. With the tagline-*Warmth: Free. You're welcome!* JetLite has unveiled its brand proposition and has replicated the Indian look and feel of Air Sahara.

Leveraging on the strengths of Jet Airways, they are targeting a service positioning for JetLite instead of product positioning. Air Sahara always had a reputation for its service delivery, which is planned to be retained. Sahara was associated with Indian warmth and hospitality and therefore the same cabin crew was maintained.

To add to the Indian service style, the airhostesses of JetLite would continue to wear sarees. Also in contrast to other low cost carriers such as Deccan, Indigo and SpiceJet, JetLite is betting on quick meals that are offered on board free of cost.

In the last few months post-acquisition, JetLite was focused on making 24 aircraft airborne. Currently 20 out of 24 aircraft are operational. The carrier operates 141 flights daily across 32 cities. In October, the airline registered a load factor of around 70% and its market share was about 12%.

JetLite reported a loss of Rs 192 crore during the first half of current fiscal. It plans to lease six to eight aircraft next year to service the Gulf region, besides operating the remaining 4 aircraft by the end of the year. Its current overseas destinations are Colombo and Kathmandu.

#### MERGER JET-SAHARA

The Jet-Sahara deal has aroused much fear among other domestic airlines. Immediately after the merger announcement, smaller airlines such as GoAir, IndiGo, Air Deccan and Kingfisher had talks on forming an alliance to combat Jet's emerging dominant position in the Indian skies. Their fear is based on the fact that Jet would then have more than 50 per cent market share.

Moreover, the combine, with a fleet strength of 79 aircraft, would also garner a lion's share on routes such as Delhi-Mumbai, which account for nearly 50 per cent of the domestic traffic. Jet would also have control over parking bays and other infrastructure in some airports.

However, according to an analyst with a leading broking firm, while the Jet-Sahara combine would have an edge over other private airlines, it should be seen as a free-market phenomenon. Mergers and acquisitions are happening in other sectors too. What is required is a strong regulator, to ensure that no single player enjoys a monopoly on any route.

#### **Major Changes in the Business Environment affecting the Airline Industry:**

The Airline sector is growing in leaps and bounds. The ministry of civil aviation projects an investment of Rs 2,00,000 crore in the next five years. The growth rate is 50%; the world's highest. (Business India, Apr 8, 2007).

The domestic aviation industry has witnessed a CAGR of 8.9% over fiscal 2002-2004. It is further fuelled by fast growing economy and rising consumerism. The sharp decline in the rates offered by the airlines has made it possible to target the 51 million premium railway passengers. The Indian air passenger is highly under penetrated with an average air travel of 0.014 trips per person per year as compared to an average of 2.02 trips per person per year in the United States. This is a reflection of the potential demand that the Indian Aviation Industry has. Of all passenger numbers the top ten Indian airports accounted for 83.6%.

#### Foreign Travel:

Travel to foreign destination is also on an increase (Table-5). It is estimated that 8.3 million Indians traveled abroad during 2006, more than four times those in 1991. Major destinations are Singapore, UAE, Saudi Arabia to name a few

The union Cabinet has prescribed that private airlines are eligible to fly on foreign routes only after completing 5 years of domestic operations. Recently the five-year stipulation has been reduced to three, which means that Kingfisher Airlines will be able to fly overseas in another year.

#### Promotion by other players:

Many promotional initiatives have been undertaken by other players as well. The major domestic airlines have frequent flyer programmes. One can earn points or miles for use of their services. The actual number of mileage points accrues depending upon the distance traveled between origin and destination cities, membership status, ticket fare and the class traveled. The points can be redeemed for a free ticket. These points also have an associated validity clause for a number specified number of years. (Refer table-6)

#### Entry of New Players:

There are many more players entering the Indian skies. Mega Airways, Megapode Airlines, Easy Air, Star Air, Magic Air, Air One, Pioneer, Jagson, Indus Air and MDLR airlines are expected to make an entry soon. The entry of new airlines and also the 6.... fleet expansion undertaken by the existing airlines have further increased competition. Kingfisher, Spicejet, Goair, and Paramount plan to induct five aircrafts each. Tata Sons have also bought a stake in Spicejet to mark their re-entry in the aviation sector.

#### Aircraft Purchase by Airlines:

The airlines in India are increasingly placing orders for airplanes. The major two vendors are Airbus and Boeing who have created a near-perfect duopoly. Shopping by airlines is on an increase. India therefore is gaining popularity as the fastest growing market in the global aviation industry.

Infrastructure Constraints and Airport development: This is another problem plaguing the industry. Incidentally infrastructure issues are not limited to physical infrastructure on the

ground but also to constraints in the air space. They are in the form of 'traffic jams' in the sky. These lead to increase in flying times, additional fuel consumption, increase in maintenance costs, employee overtimes, unsatisfactory on time performance, and inconvenience to the traveling public.

The Defence Ministry controls a lot of air space; this prevents straight flight paths, particularly on routes between the north and the west. Almost 35% of the airspace in India is controlled by the armed forces. However, lately a pilot project has been started in Chennai where armed forces and civilian controllers are collocated and there is flexible use of available airspace.

#### Non-metro airports:

There are plans for developing 35 non-metro airports. Airports also need to be developed in the north east like Arunachal Pradesh and Sikkim.

Development for Mumbai and Delhi airports has been granted to GMR and GVK respectively. Other developments at Delhi are: A New Code 'F' compliant Cat3B Runway 10R/28L to become operational by mid 2008, a new domestic terminal under construction to become operational by mid 2008; and all-new integrated Terminal 3 under construction with 74 aerobridges to be operational by 2010.

#### Government Policy:

The government is prioritising introduction of regional airlines, in order to improve aviation infrastructure in the country. The Civil Aviation ministry has identified four regions namely North, East, West and South for development. Any airline operating within any of these regions (and not establish a nation wide network) would be exempted from navigation and airport charges. The government also plans to extend the concessional sales tax rate of 4% for all regional aircrafts.

#### Open Sky Policy and liberalized set up:

The government has liberalized entitlements with UK, US and Australia and France to induce growth in the civil aviation sector. Apart from the four metro destination of Mumbai, Delhi, Chennai and Kolkata, carriers from UK have been granted access to Bangalore, Hyderabad, and Cochin. Further, Indian carriers will fly to Glasgow, Edinburg, and Bristol in addition to London, Manchester and Birmingham. Therefore, it is expected that services between India and the UK will be more than doubled by 2006.

The government is also encouraging privatization. Private carriers are now being allowed to operate flights to all parts of the world, except the Gulf and Saudi Arabia.

#### Foreign Direct Investment:

The government is planning to allow 100% FDI in helicopter operations and MRO facilities. The civil aviation ministry has moved a note to DIPP (Department of Industrial Promotion and Policy) to enhance FDI in various areas of civil aviation. FDI in airports and in airlines has emerged as an important consideration for the government to achieve its long-term plan of creating an aviation grid across the country by developing 400 airports and airstrips.

#### Technical Issues:

Most of the airports in India lack technological development. For instance, Delhi airport is the only airport in India to have a Cat III B compliant runway which allows flights to land at as low a runway visibility as 50 meters. Many airlines already have aircraft equipped with Cat III B compliant equipment and trained pilots. Also only Mumbai airport is provided with Cat II landing system. Mumbai however currently operates under Cat I facilities. In such circumstances, it is not commercially viable for the domestic airlines to prepare their aircraft and pilots for a single airport.

There is also lack of latest technological equipment. There is a great need to upgrade the ATCs.

#### Cargo Hub:

Nagpur has been identified as a cargo hub for the country. This is commercially and also logistically best suited for domestic as well as international cargo operations. Dedicated cargo airlines will also be exempted from payment of airport and navigation charges at the proposed hub for both domestic and international sector.

#### Lack of MRO Facilities:

India, it is estimated, has a commercial aircraft fleet of more than 250 planes. But the country has limited maintenance facilities for aircrafts. Some airlines have hangers to cater to their needs.

Boeing and Airbus are setting up MRO facilities in India with Air India and Indian respectively. Also a joint venture MRO facility with Boeing as a key partner is being developed at Nagpur.

#### Air Force base may allow civilian aircraft:

Congestion is existing at all major air ports. It is at its worst at Delhi and Mumbai. Hovering time for the aircraft in Delhi airport is 20-40 minutes while in Mumbai it is as high as 30 minutes. Therefore, many air force stations are being opened to civilian aircraft to help to decongest at the civilian ports (See Table-8). As such this month would see an increase of 25 percent in domestic flights (42,200 domestic flights) while the number of international flights will increase by percent (13,040 flights).

#### Shortage of skilled personnel:

There is severe shortage of skilled personnel. The training academy at Rae Bareilly, UP is able to produce 30 pilots annually while the demand for pilots is many times more. The drastic increase in the number of aircrafts have emphasized on the need for trained cabin crew in the country.

A flight training institute is coming up in Gondia in Maharashtra also there are plans of expanding the Indra Gandhi Rashtriya Uran Academy to fulfill the growing need of pilots in India.

#### Peak Hour Airport Fees:

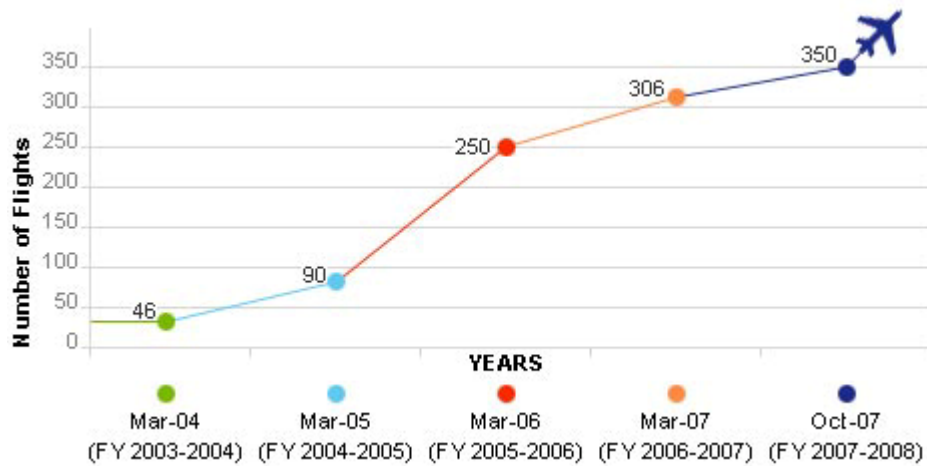
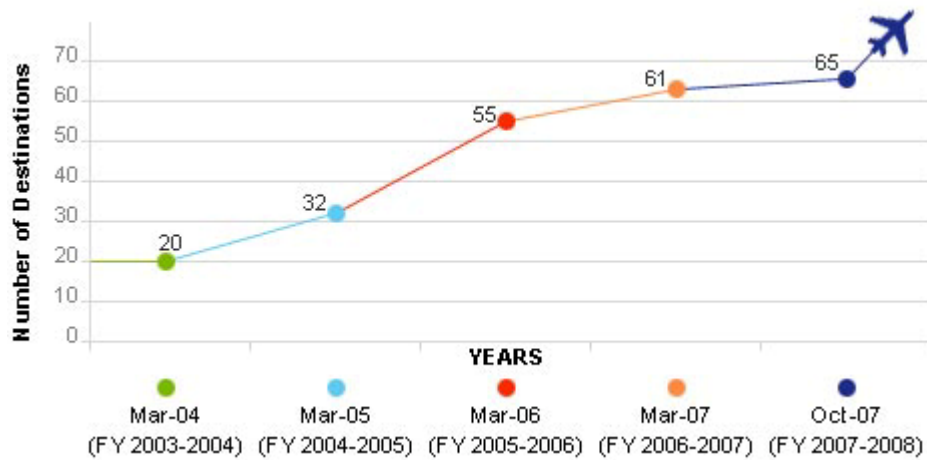
Because of infrastructure constraints and increase in number of airlines operating at the airports, the Government plans to hike the landing and takeoff charges at three of its

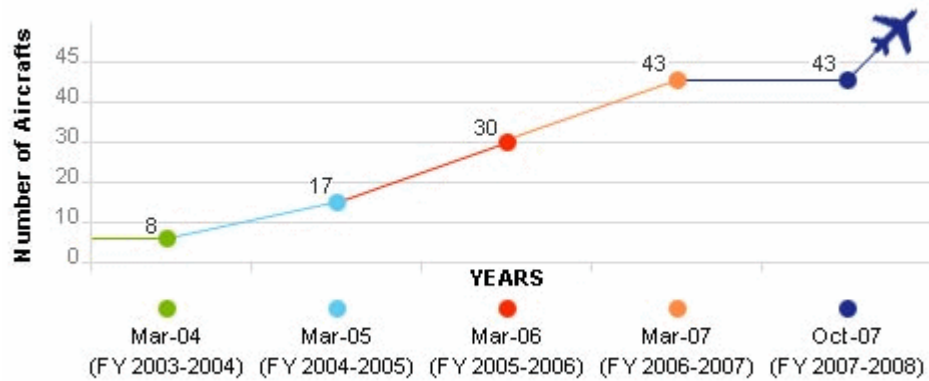
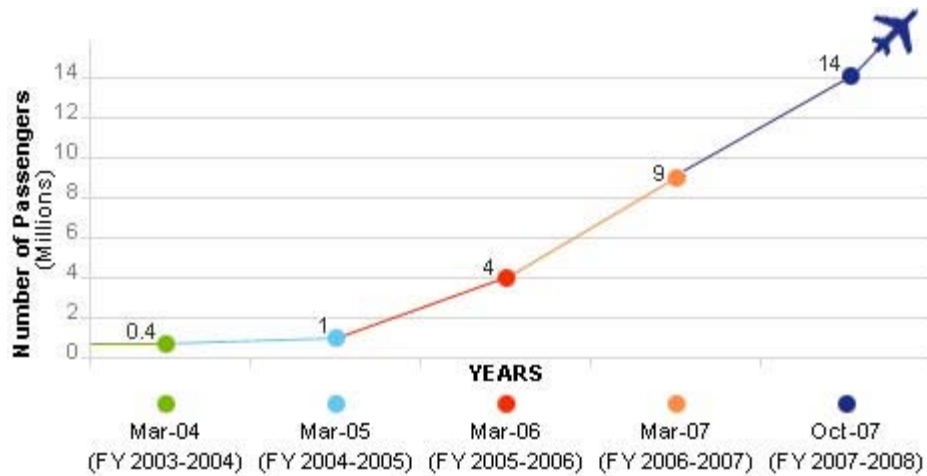
biggest airports during peak hours as a move to ease congestion. It is expected that fees at Mumbai, New Delhi and Bangalore airports may increase.

Airport Retail:

Airport retailing the world over is big with about 60% of the revenues earned through commercial activities. (Pitch, April 2007, p-29). Internationally, it is estimated to be \$200 million market. Compared to global standards, the revenue from commercial activities in our airports is low but is picking up.

**GROWTH OF AIR DECCAN (EXHIBIT 1)**





## KINGFISHER (EXHIBIT 2)

| Fleet                  |                |            |              |                |
|------------------------|----------------|------------|--------------|----------------|
| Aircraft Type          | No. in Service | KF - First | KF - Economy | Total Capacity |
| A 319                  | 3              |            | 144          | 144            |
| A 320 (Single Cabin)   | 3              |            | 174          | 174            |
| A 321 (Single Cabin)   | 2              |            | 199          | 199            |
| A 320 (Dual Cabin)     | 10             | 20         | 114          | 134            |
| A 321 (Dual Cabin) - 1 | 4              | 32         | 119          | 151            |
| A 321 (Dual Cabin) - 2 | 2              | 20         | 158          | 178            |
| ATR 72 - 500           | 13             |            | 66           | 66             |
| <b>Total</b>           | <b>37</b>      |            |              |                |



**JETLITE (EXHIBIT 3)**

| <b>Aircraft Type</b>   | <b>Number of Aircrafts</b> |
|------------------------|----------------------------|
| Boeing 737 Series      | 17                         |
| CRJ 200 Series         | 7                          |
| <b>Total Aircrafts</b> | <b>24</b>                  |

**JET AIRWAYS (EXHIBIT 4)**

| <b>Aircraft</b> | <b>Number</b> |
|-----------------|---------------|
| ATR 72-500      | 09            |
| Boeing 737-800  | 16            |

|                 |           |
|-----------------|-----------|
| Boeing 737-900  | 02        |
| Boeing 737-400  | 04        |
| Boeing 737-800  | 04        |
| Airbus 330-200  | 08        |
| Boeing 737-800  | 05        |
| Boeing 737-700  | 15        |
| Boeing 737-800  | 07        |
| Boeing 777-300E | 10        |
| <b>Total</b>    | <b>80</b> |

#### ATR 72-500



**Première Capacity:** n/a  
**Economy Capacity:** 62  
**Engine Type:** PW127F  
**Cruise Speed:** 511 kmph  
**Aircraft Length:** 27.17 m  
**Wing Span:** 27.0 m

#### Boeing 737-800



**Première Capacity:** 28  
**Economy Capacity:** 126  
**Engine Type:** CFM56 7B24  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 39.5 m  
**Wing Span:** 34.3 m

#### Boeing 737-900



**Première Capacity:** 32  
**Economy Capacity:** 138  
**Engine Type:** CFM56 7B24  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 41.9 m  
**Wing Span:** 34.3 m

#### Boeing 737-400



**Première Capacity:** 24  
**Economy Capacity:** 112  
**Engine Type:** CFM56 3C1  
**Cruise Speed:** 815 kmph  
**Aircraft Length:** 36.4 m  
**Wing Span:** 28.9 m

#### Boeing 737-800



**Première Capacity:** n/a  
**Economy Capacity:** 175  
**Engine Type:** CFM56 7B24  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 39.5 m  
**Wing Span:** 35.7 m

#### Airbus 330-200



**Première Capacity:** 30  
**Economy Capacity:** 196  
**Engine Type:** Rolls Royce Trent-772B  
**Cruise Speed:** 850 kmph  
**Aircraft Length:** 57.512 m  
**Wing Span:** 60.304 m

#### Boeing 737-800



**Première Capacity:** 16  
**Economy Capacity:** 124  
**Engine Type:** CFM56 7B26  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 39.5 m  
**Wing Span:** 35.7 m

#### Boeing 737-700



**Première Capacity:** 20  
**Economy Capacity:** 102  
**Engine Type:** CFM56 7B22  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 33.6 m  
**Wing Span:** 35.8 m

#### Boeing 737-800



**Première Capacity:** 24  
**Economy Capacity:** 126  
**Engine Type:** CFM56 7B24  
**Cruise Speed:** 871 kmph  
**Aircraft Length:** 39.5 m  
**Wing Span:** 35.7 m

### Boeing 777-300E



**First Class Capacity:** 08  
**Première Capacity:** 30  
**Economy Capacity:** 274  
**Engine Type:** GE90-115B  
**Cruise Speed:** 1029.04 kmph  
**Aircraft Length:** 209 ft. 02 inches m  
**Wing Span:** 199 ft. 11 inches m