

VAYUDOOT

Vayudoot was incorporated on January 20, 1981 as a company jointly owned by Air India and Indian Airlines. Its main objective was to connect inaccessible areas in India's northeast region. During its 12 years of operation, Vayudoot has sustained very heavy losses because of three reasons. First, its aircraft were aged and uneconomic to operate. Taking total costs into account, the break-even seat factor for its Avro HS-748s is 95% and for its Dornier-228s, it is 127%. Second, the airline over-extended its operations and was not able to provide reliable service, and therefore lost its credibility. Third, its overhead was too high. In the last year, Vayudoot has reduced its staff from 1,850 to 1,540. Some analysts have commented that this reduced staff size still includes 800-900 excess employees. On May 19, 1993, the Government announced the merger of Vayudoot with Indian Airlines (see below). Contact information for Vayudoots is included in Appendix G.

Performance and Financial Summary

The authorised share capital of Vayudoot is Rs. 500 million with a total subscribed capital of Rs. 359.5 million, contributed equally by Air-India and Indian Airlines. There has not been a single year in which it did not produce a loss, the amount varying from a meager Rs. 300,000 in 1983-84 to a staggering Rs. 370 million in 1991-92. It has come down to Rs. 220 million during 1992-93. Its load factor improved from 61% to 65% over the same period. The accumulated losses of the airline on March 31, 1993 were about Rs. 1.9 billion, of which Rs. 800 million is owed to Indian Airlines, Rs. 500 million to Hindustan Aeronautics Limited (HAL) and Rs. 350 million to Air-India. Over the past year, Vayudoot was trying to reduce losses by route rationalization, cost reductions, better inventory planning, better material management and reducing expenditure on aircraft maintenance by negotiating better terms.

Fleet

On December 31, 1992, Vayudoot's fleet consisted of: 8 x Avro HS-748, 8 x Dornier-228, and 1 x Fokker F-27 (on lease from Indian Airlines). All of its Avros are more than 20 years old. Currently only 7 or 8 aircraft in its entire fleet are serviceable.

On January 18, 1988 Vayudoot set up an Agro Aviation Division with the following aircraft received on transfer from the Ministry of Agriculture: 16 x Basant Helicopters and 1 x Bell Jet Ranger Helicopter. This division conducts aerial spraying operations to fight locust invasions and breeding, protect crops from pests and diseases, and undertakes aerial seeding under the Government's afforestation programme.

Routes

Vayudoot commenced operations in 1981 by providing air service to 11 stations in the northeast. It kept on extending its operations to other parts of the country and by 1989-90 had increased its coverage to 105 stations. It then reduced the number to 41 in October 1991 and to 38 in March 1993, of which 30% overlapped with Indian Airlines' route network.

Merger

The Government had hoped that by granting licences to private airlines Vayudoot's routes would be adequately served and Vayudoot operations could be wound up. Since this has not happened, the Government decided to merge Vayudoot with Indian Airlines. It is understood that the Ministry of Civil Aviation has agreed to the following merger conditions suggested by Indian Airlines:

- freezing of Vayudoot's liabilities (no new claims);
- moratorium on repayment of Vayudoot's debts of Rs. 1.90 billion for five years;
- future debt repayment in 10 annual instalments will be guaranteed by Indian Airlines;
- subsidy of Rs. 20 million every year for operations in the northeast; and
- purchase of modern fuel-efficient, 50-seat aircraft to make operations viable.

Except for the northeast, Vayudoot will only operate on commercially viable routes. The Government will subsidize Vayudoot's northeast operations to the extent of 17%. It will only operate smaller aircraft of 50-seat capacity. A six-member committee under the chairmanship of Mr. R.N. Sharma, Chairman of Hindustan Aeronautics Limited (HAL), has been appointed to select a new aircraft for Vayudoot. Its present