

airline business, leading to greater stability and expansion. Most analysts believe that, at the most, three or four private airlines will survive, with the others folding or being amalgamated with the survivors. Whatever shape the Air Corporation Act amendments take, ultimately, the Government is unlikely to be completely "hands off" with the private airlines because of its concern for the national carriers. So it is to be expected that there will always be some regulation of fares, routes and the overall number of operators.

While the future of the private airlines lies squarely in the hands of the Government policy makers, the longer the private airlines continue to operate the greater will be their influence, and the more accustomed the flying public will become to the benefits of competition and an industry driven by standards of service.

Operations

While Indian Airlines has claimed that the private airlines rather than complementing its operations are diverting passengers from its flights, several studies have projected much larger and increasing traffic. In a report prepared for Jet Airways, Arthur Anderson suggest that there is a market of 23 million domestic passengers annually in India. Indian Airlines is currently carrying slightly less than 10 million per year. Arthur Anderson also predicts that the market will grow by 12% per year. This study is in line with others that have been produced by the International Airports Authority of India and the International Air Transport Association. The former projects 9% and 12% annual growth respectively for international and domestic traffic, while the latter has forecast 7.2% annual growth for international traffic.

Competition among the private airlines is expected to become intense as most have concentrated on the major routes, particularly the Bombay-Delhi sector, which is quickly becoming oversaturated. In fact, load factors have already begun to drop on the Bombay-Delhi sector as there are now over 12 return flights daily on this route. This increased competition on the major trunk routes, and the Government's new regulation that private airlines must operate one route under 700 kms for every one over 700 kms, will force private airlines to operate on the currently unserved regional routes.

However, any delay in passenger numbers rising to the forecast levels will cause rationalisation in the number of private airlines. Either way, certain of the existing operators have adequate financial backing, and sufficient influence, to enable them to continue operating, to prosper and to grow. These surviving operators, having been encouraged to think short term by the insecurity of the policy environment, have opted for lease and not purchase of aircraft. This is likely to continue and they are unlikely to change their procurement decisions, preferring to retain equipment for which there is indigenous expertise and with which the flying public is familiar.

Provided that private operators are not overly restricted in their ability to develop the necessary infrastructure, they will diversify into cargo operations.

Aircraft

To date, the aircraft of choice of India's private airlines has been the 737-200. The current recession in the world airline business, coupled with the fact that the Boeing 737-200 no longer meets noise restrictions in North America and Europe, has made it quite easy for Indian private airlines to lease these aircraft at low rates. As the Indian fleet expands and the world aviation industry begins to slowly climb out of recession, availability of these aircraft is going to diminish, and leasing costs will rise. In addition, the private airlines will no longer have ready access to the supply of trained pilots from Indian Airlines.

Current expansion plans of the private airlines are to increase their fleets from around 25 to about 45 aircraft within the next year. Until the civil aviation scene in India becomes more certain, the private airlines will continue to rely on leased aircraft; only Archana Airways has purchased aircraft. In fact, the private airlines are likely to put off any expansion plans until amendments are made to the Air Corporations Act to legalize their operations. The private airlines are also likely to wait until after the peak tourist season this winter to determine how they are fairing, before making expansion or purchase plans.

With the Government's new regulation of one route under 700 kms for every one over 700 kms, the private airlines will be forced to look at acquiring smaller regional aircraft, as the larger B-737s are very uneconomical on these shorter routes. An aircraft manufacturer which enters into a co-production agreement with Hindustan Aeronautics Limited (HAL), and has its aircraft selected by Vayudoot, will be in the best position to sell to the private airlines as the cost of an aircraft co-produced in India would be less and commonality of aircraft would allow for joint maintenance facilities to be established.