

Maintenance

There is a problem with maintenance and ground handling. As per government directives, private airlines are not permitted to contract services from Indian Airlines. There is insufficient hangar space at most airports, and most private airlines have been carrying out operational maintenance and repairs right on the tarmac. None of the private airlines are sufficiently established to set up their own maintenance facilities, although East West has indicated that it plans to. Most private airlines have either made arrangements through wet-leasing aircraft, technical co-operation agreements with foreign airlines, or contracting services of foreign companies for their operational maintenance requirements and heavy maintenance checks. In a recent development, Hindustan Aeronautics Limited has carried out a C check on one of East West's B-737. There is a need for massive investment in maintenance and ground handling facilities. As the private airlines do not have the capital to set up this infrastructure overnight, there are opportunities for leasing companies to supply stairways, buses, battery carts and other equipment.

Cargo

East West Airlines began cargo operations in November 1992. It operates to 22 destinations, and carries about 150,000 kgs of freight a month from Bombay alone. It has plans to commence international cargo operations. Jet Airways currently has cargo capacity of 40 metric tonnes per day on 11 routes. Courier cargo, accompanied by an on-board passenger, is a significant component. Jet Airways is confident of becoming a significant domestic cargo carrier. Damania Airways is planning to start cargo operations in August, at present it only carries courier cargo.

As the Department of Posts has experienced difficulties with Indian Airlines, it has sought government approval to use private airlines to ferry air mail within India. Indian Airlines handles 16,000 tonnes of air mail annually, charging Rs. 7.4 per kg over a distance of 1,000 kms. East West has apparently offered the Department of Posts a flat 10% discount on this rate.

FUTURE PROSPECTS

Policy

For most of this year, the private airlines have been operating under an uncertain and changing policy environment, with the Government imposing more and more restrictions on private airline operations. In effect, all "air taxi" companies offering scheduled services are still operating in defiance of the law. Just as in many other sectors of the economy, the Government's economic liberalization program has yet to filter down to the working level in the bureaucracy, and has not been equally embraced by all ministries. This bureaucratic attitude has stifled private sector involvement in civil aviation in India up to now.

In a recent report, the Parliamentary Committee on Civil Aviation, chaired by Mr. Pramod Mahajan, has come down heavily on the Government's confused civil aviation policy. The report, to be submitted during the current Monsoon Session of Parliament, is purported to criticize the Government's method of introducing new regulations at frequent intervals, and to demand: that the Air Corporations Act be repealed; that private airlines be given the same facilities at airports as the national carriers; that private airlines be allowed to operate on international routes; and that foreign equity in private airlines be permitted as long as there is no foreign exchange outflow.

To date, private airlines have had to operate with less than adequate airport facilities. They have not been permitted to operate on international routes. Although two companies have received landing rights from Gulf countries, they have not received permission from the Indian Government. Foreign equity has not been permitted in private airlines. Both Modiluft and Jet Airways have made applications. The Ministry of Civil Aviation remains firmly opposed to the idea, while the Ministry of Industry is of the opinion that the same regulations for investment in other sectors of the economy should apply to civil aviation as well. On the positive side, the DGCA has recently authorised funds to the National Airports Authority to upgrade various airports - Rs. 2.5 billion for this year and a total of Rs. 9.0 billion over the next three years to modernize airports. Included in these modernization programs are provisions for additional hangars and counter space for private airlines.

It is understood that the government now plans to table the bill to amend the Air Corporations Act, which was supposed to be introduced in May 1992, in the Monsoon Session of Parliament. Should the Air Corporations Act be amended and should the Government continue to liberalise, there will be increased confidence in the private