

AIR CORPORATIONS ACT

There is a pending bill to amend to The Air Corporation Act, 1953. The government had intended to introduce this bill in May 1992, and is now likely to present it during the current session of Parliament. The two principal features of the bill are to make Air-India and Indian Airlines limited liability corporations (a possible first step to privatization), and to legalize the scheduled operations of private airlines.

Since May 1992, there has been a rethinking leading to major revisions in the Bill. One of the Ministry of Civil Aviation's top priorities is to restore the profitability of Indian Airlines and to prevent the exodus of trained pilots and engineers to private airlines. The Government may, therefore, include measures to restrict competition on the major trunk routes and provide incentives to private airlines to operate on the shorter regional routes. With mounting pressure on the Government to clarify civil aviation regulations, the amendment of the Air Corporation Act cannot be unduly delayed. It is possible though, that amendments to the Act will be introduced in instalments, while privatization will be kept on hold. Details of the Air Corporations Act, 1953 are included in Appendix D.

NATIONAL CARRIERS

Until the recent merger of Vayudoot with Indian Airlines, India had four state-owned national carriers. Air-India, based in Bombay, is India's international flag carrier. Indian Airlines, based in New Delhi, is the main domestic carrier, as well as operating flights to neighbouring countries. Vayudoot, based in New Delhi, provides feeder services to remote areas within the country. It is now merged with Indian Airlines. Pawan Hans, based in New Delhi, operates helicopter services. A brief overview of the operations of the four national carriers is given below.

AIR-INDIA

Air-India got its start in 1932 as Tata Airlines with a single de Havilland Puss Moth. Air-India emerged in its present form in 1953, when, with the nationalization of India's airlines under the Air Corporations Act, Air-India became the country's flag carrier. Its Corporate Headquarters are in Bombay. Over the past year, there has been considerable talk of a merger with Indian Airlines (see Merger under Airline Management Issues for details). Contact information for Air-India is included in Appendix E.

Performance and Financial Summary

In 1992-93, Air-India's net worth increased to almost Rs. 10 billion from Rs. 7 billion the previous year¹. In 1992-93, the corporation earned its highest-ever total revenue of Rs. 25.6 billion and net profit of Rs. 3.01 billion, surpassing the record 1991-92 revenues of Rs. 20.73 billion and net profit of Rs. 1.46 billion. This is significant when you consider that during these same two years most of the world's international airlines were in the red. Air-India's financial performance could have been even better in 1992-93, except a flight engineers' strike starting on February 27, 1993 and lasting 56 days, caused a revenue loss of Rs. one billion. The load factor of the airline increased from 58.5% in 1991-92 to almost 65% in 1992-93. In addition, in 1992-93, Air-India earned Rs. 2.7 billion in revenue from its cargo operations and projects that it will earn Rs. 3.4 billion from these operations in 1993-94.

Air-India's financial outlay under the Government's Eighth Five Year Plan (1992-93 to 1996-97) has been revised upwards to Rs. 23.75 billion, mainly for aircraft loan repayments. Non-plan expenditures of Rs. 3.95 billion are projected for support services such as workshop equipment, ground support facilities, buildings, computers and communication facilities.

Maintenance Facilities

Air India is largely self-sufficient in maintenance and overhaul of its aircraft. Spread over almost 40 acres, its principal maintenance base in Bombay is capable of handling complete work on its fleet of Boeing 747-200 and 747-300, Airbus A-310-300 and A-300B4 aircraft. Apart from line and heavy maintenance, Air-India is also capable of handling major structural modifications and painting wide body aircraft. There is also a Jet Centre in Bombay for repairs, overhauls and tests of Pratt & Whitney JT8D and JT9D, General Electric CF6-50-C/C2 and CF6-80CW engines. Air-India is also planning to set up an overhaul facility for PW-4056 engines to be installed on its newly acquired B747-400 aircraft. Air-India also has a maintenance facility in

¹ At the time of printing the Canadian Dollar was worth 24 Rupees.