

As things stand, even if the Government is inclined towards privatisation, it would probably be introduced in stages. As a first step, the staff may be offered equity shares. In the second stage, equity could be sold to financial institutions. This would lead to privatisation only if the Government lets go and does not seek to exercise control by proxy. In the third stage, public and private sector mutual funds could be allowed to bid for equity. Allowing the shares to be traded in the market, while the Government has minority holding may be the last step.

Privatisation of public sector undertakings in the country is being held in abeyance at the present time because of the criticism of the manner in which the shares from previous issues were offered to financial institutions and mutual funds. The shares did not attract as good a price as expected by the Government. In addition, the stock markets are currently in a depressed state. The indications are that the Government will wait for a more opportune moment to resume the privatisation process. Pending a merger, if the Government decides to disinvest its holdings in the two air corporations, possibly the shares of Air-India would be offered first as they would command a higher premium in the marketplace.

## PRIVATE CARRIERS

### HISTORY

The announcement of an "Open Sky" policy in April 1990 signalled the Government's changed attitude towards "air taxis". Three deregulatory measures emanated from the Open Sky policy. First, in order to create more capacity for air cargo exports, the Government permitted any scheduled or non-scheduled carrier to operate ad hoc cargo flights into and out of India. Second, the clearance procedure for tourist charters was simplified, so that, in addition to the international airports, charters could land at select airports with the required facilities. Third, an Air Taxi scheme was introduced, under which the Government licenced private operators to operate non-scheduled air taxi services within the country. In May 1990, UB Air started the first air taxi operation in India.

In November 1990, a new government raised the size restriction on aircraft from a maximum of 19 seats to one of fewer than 50 seats. Shortly afterwards the restriction was removed, allowing an unrestricted number of seats on any type of aircraft to any destination. This effectively opened up the market to airline-sized aircraft, and allowed de facto private airlines to compete with Indian Airlines using similar aircraft.

During 1990 and 1991 the air taxi/private airline business got off to a slow start with many mistakes and some failures en route. Private operators had to overcome obstacles such as inadequate, or restricted access to, infrastructure and ground handling facilities at airports, threats from Indian Airlines to withdraw revenue from travel agents who dealt with private airlines, and lengthy customs clearance and airworthiness certification procedures. Nevertheless, spurred by the attraction of a very lucrative market, numerous companies made plans to enter the fray. To a prospective private operator, it seemed very simple to be able to operate a vastly superior service to that offered by Indian Airlines.

During the tenure of Mr. Madhavrao Scindia (a great advocate of private airline growth in India, and no doubt responsible for many of the changes in the government's attitude) as Civil Aviation Minister from July 1991 to January 1993, the government turned a blind eye when certain operators began to announce and operate "scheduled" services on the major routes in direct competition with Indian Airlines.

By mid-1992 one company in particular, East West Airlines, began to establish a solid performance record for "on-time" scheduling and customer relations. East West enjoyed a unique advantage because it had no serious competition from other private operators, and were helped considerably after their first nine months by an Indian Airlines pilots' strike that gave them outstanding load factors for almost three months. It also allowed East West to acquire many dissatisfied Indian Airlines pilots. There were others that were barely hanging on such as Continental and Jagson. In addition, two companies were operating "air taxi" permits in their literal sense, i.e. on an ad hoc charter basis: India International Airways and Trans Bharat Aviation.

Towards the end of 1992, with East West Airlines showing that it could be done, a number of serious contenders announced their impending start-up. They were further assisted by new government policies announced in November 1992, which eased the process of obtaining local funds for imported aircraft and