

operated in different environments, had different standards and acquired different aircraft types for their fleets. However, over a period of time Indian Airlines flights to neighbouring countries have increased and Air-India has been allowed to fill seats on domestic sectors of its international routes. Since the line dividing their spheres of operation was getting blurred, the idea of merging the two airlines gained currency. Mergers are taking place the world over with the rapid formation of several mega carriers. The Government, therefore, started considering whether the two carriers should maintain their separate identities.

The proposal of a merger is not new. It was first mooted 15 years ago in 1978 when BOAC merged with BEA in the United Kingdom. The Indian Government examined the issue, but discovered no tangible benefit in a merger. Air-India had opposed the move saying that it had to compete with foreign carriers which it might not be able to do with Indian Airlines standard of customer service. It was also apprehended that the merger might create an unmanageable giant. Another move to bring the two airlines closer together was made some years later when the Government appointed a distinguished aviator, Air Chief Marshal P.C. Lal, to be the joint Chairman of the two corporations. For various reasons, the experiment did not succeed. In October 1986, the Planning Group on 'Civil Aviation at the end of the Century' revived the idea of a merger in its Report to the Government.

The main argument in favour of a merger is that it would lead to better coordination in policy formulation and control. Economies could also be achieved with integration of technical facilities, interlining of international traffic with domestic, establishment of common training facilities for pilots, engineers and operational staff, and setting up of common ground handling facilities. A major benefit of a merger may be the removal of stormy industrial relations stemming from different pay structures and allowances. A graduated career path from regional to national to international operations could be instituted. Aviation experts argue that a single integrated national airline will only work if a hub and spoke route structure is employed.

As a first step to a merger, a holding company may be formed, with both corporations as its subsidiaries. This would facilitate the formulation of overall policy and create conditions for joint planning. Resource mobilisation would also be easier; currently Air-India is making money and paying taxes while Indian Airlines is losing money. The sine qua non for the success of the holding company concept is the grant of functional autonomy to the two corporations in a larger measure than has been given to them in the past. It is only then that they can be held accountable for their performance.

With the recent merger of Vayudoot and Indian Airlines, the chances of a merger between Air-India and Indian Airlines have receded for the present. It is likely that this second merger will be put on hold until the effects of the first merger can be clearly determined. In a recent Press meeting, the Minister stated that the Government was not currently considering a proposal to merge the two airlines. The Secretary of Civil Aviation has announced, however, that the Vayudoot merger is a precursor of an Air-India merger with Indian Airlines. As a first step, the Ministry of Civil Aviation has instructed the two airlines to rationalize their route structures and fleet expansions. Because of a lack of sufficient capacity, Air-India has been operating B-747 long range aircraft on its Gulf routes. As the arrival of Indian Airlines' new A-320 aircraft will create excess capacity, Indian Airlines may operate these aircraft on Air-India's Gulf routes, allowing Air-India to redeploy their aircraft to longer routes for which they are more suited. The government has authorized the two airlines to jointly develop a computerized reservation system.

PRIVATISATION

The move towards deregulation of civil aviation, which started in the USA in mid-1970s, has led to large scale acquisitions and mergers. This happened because the airlines were privately owned. In other countries where airlines were government-owned, the movement has paved the way for privatisation. This process has been aided by a number of other simultaneous developments:

- Realization by governments that operating an airline is neither a national priority nor an obligation of the state;
- Recognition that airlines are commercial undertakings which require professionalism and expertise to manage;
- Awareness that disinvestment would generate resources which could be diverted to priority sectors; and
- Allowing free play to market forces generates competition which benefits the consumers.