

Over View of Aviation in India

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INTRODUCTION:

The Indian Aviation Industry is among the world's fastest growing industries. It has undergone huge transformation following the liberalization of the aviation industry in India. Once owned by the Government, the aviation sector of India is now privately owned with full service airways and affordable carriers. Almost 75% of the domestic aviation sector consists of the private airlines. Earlier viewed as a costly means of transportation, afforded by few, air travel is now cheap and can be availed by many.

The aviation sector has become the most important segment in the economic development of a nation. It plays a vital role in moving people or products from one place to another, be it domestic or international, especially when the distances involved are far. Stiff competition and favorable initiatives of the Government of India added fuel to enlarge both flights and fleets. Air Deccan was the premier airline, which offered low tariff to the domestic as well as international destinations and created a new landmark in aviation sector in India. Now, ordinary citizens were able to easily access the aviation service from their respective air terminals. In a highly competitive environment the provision of high quality services to passengers is the core competitive advantage for an airline's profitability and sustained growth. In the past decade, as the air transportation market has become even more challenging, many airlines have turned to focus on airline service quality to increase service satisfaction. Service quality conditions influences a firm's competitive advantage by retaining customer patronage, which in turn results in increase in market share. Delivering high-quality services to passengers is essential for airline survival, so airlines need to understand what passengers expect from them.

HISTORY OF INDIAN CIVIL AVIATION:

Over 100 years old, the Indian aviation sector has earned the distinction of being the ninth largest in the world. Today's giant leaps though have come from a small step taken by Henry Piquet on February 18, 1911, when he flew his Humber bi-plane six miles from Allahabad to Naini junction carrying only mail and introduced the concept of air travel in India. For the next 21 years, the country witnessed such flights that flew off and on without any timetable. They began making way for schedule air travel- that operate as per a timetable-when 25 year old Jehangir Ratanji Dadabhoy Tata got the first pilot license issued in India on February 10, 1929. In July 1932, business tycoon J.R.D., who would go on to be hailed as the Father of Indian Civil Aviation, established the aviation department in Tata Sons. Soon to be called Tata Airlines, it planned the first schedule flight in India- a mail service on the Karachi-Ahmadabad-Bombay-Bellary-Madras, route to be the India connection to Imperial Airways' London-Karachi flight.

Over the next 10 years, several Greenfield (all new) airports are expected to come up, complementing existing airports and relieving the burden on airports which see heavy traffic. Renovating old airports is another part of this refurbishment of the Indian airport sector. With sophisticated terminals, state-of-the-art check-in counters, better baggage handling and increase in passenger conveniences, Indian airports are about to receive more than just a fresh coat of paint. The focus is on building sustainable airports that can withstand the test of time, without becoming redundant in a few years. Karnataka is one such state where four new airports are slated

to come up in the next few years, with two – in Shimoga and Gulbarga- opening to passengers at the end of 2012 in a bid to push tourism in these areas.

The new Mopa airport in north Goa and a brand new Greenfield airport in Maharashtra's Sindhudurg will ease the heavy foreign passenger traffic descending on the shores of India's sunshine state every holiday season. North east states, that were previously sparsely-connected should also see better connectivity in the coming few years. Two airports, one each at Kohima in Nagaland and Itanagar at Arunachal Pradesh will be developed. Durgapur, the steel city in northern West Bengal is also in the process of getting a Greenfield airport that should relieve the busy Kolkata airport. Airports such as Kolkata are getting a second wing with large scale renovation taking place.

Delhi, which was a stark example of previously ill- equipped airports, is now one of the best in the world, with the brilliant new terminal 3 becoming the face of air travel in India. Many of the world's best airports lack the glitz and fitments that the new Indira Gandhi International Airport sports. The Hyderabad airport was also developed by the GMR Group that constructed the Delhi airport and is one of the best in the country, if not the world. Similarly, Mumbai, Bengaluru and Kochi have also gone the private route as Indian airports are finally shaking off the third-world tag.

Aviation experts believe that airports have ceased to be just ports of entry and exits but are playing an important and direct role in the economy. Delhi is already in this path with a dedicated metro line, while Mumbai's International airport is slated to have a commercial centre to rival the best in the world.

The future of Indian aviation looks promising, even as globally the industry is going through a watershed moment of austerity. From the days of sporadic airmail service, the sector has grown so much that there's a dedicated India aviation event- organised by FICCI in Hyderabad. It is held once in every two years. That is the biggest international exhibition of its kind in India. It promotes the causes and interests of civil aviation while showcasing all aspects of aviation from aircraft to in-flight products. With airports, connectivity and new avenues sprouting up across the country, responsible, healthy and well managed airlines will be the key to the success of Indian aviation. India has great potential to grow given its population, its growing economy and need for connectivity across the country. It has been hundred years of Indian aviation and with the future looking good in terms of airports and connectivity, the story of flying in India is most certainly pointing towards realizing the projections of being one of the top three players in the world by the year 2020.

ROLE OF AIR TRANSPORT IN THE ECONOMY:

In an increasingly globalised economy, air transport is a vital element of the country's transport infrastructure. The impact of civil aviation as a sector on the general economic activity has been studied systematically and documented for some of the Western developed countries. By itself, the Civil Aviation Sector contributes significantly to the process of development by generating employment opportunities directly and indirectly besides facilitating enhancement of productivity and efficiency in the movement of goods and services. Civil Aviation is a key infrastructure sector that facilitates the growth of business, trade and tourism, with significant multiplier effects across the economy.

**Estimated Gross Revenue Earned by Sub-Sectors of
Indian Civil Aviation Sector**

TABLE :1

Sub-Sectors	Gross Income (Rs. Crores)
Airlines	
Scheduled	43,352
Non-Scheduled	1,528
Total	44,880
Airports	
AAI	5,734
Private	3,805
Total	9,539
Maintenance Repair and Overhaul (MRO)	4,000
Air cargo and Express Industry	19,000
Ground handling	2,000
Aviation Academies	325
Total	79,744

Source: Respective Annual reports, Industry Sources; Analysis: MoCA

Indian Aviation Market:

In the last two decades, the fastest growth in overall air traffic in India was witnessed during 2004-05 to 2010-11 at the rate of 16.5 per cent with domestic traffic clocking a CAGR of 18.5 per cent and International traffic at 14 per cent. This growth is much higher than the growth witnessed during the period 1995-96 to 2003-04. Also, it is evident that the domestic traffic grew more than three times and the international traffic to and from India more than doubled in the last 7 years. Performance of domestic air traffic evaluated for a longer time frame of twenty years (from 1990-91 to 2010-11) suggests that it grew at an annual average rate of 10.4 per cent. During the same period, international passenger traffic grew at 9.4 per cent and total passenger traffic at 9.9 per cent (Table 2).

Underperformance of international passenger traffic as compared to domestic traffic over the last twenty years stands established in earlier part of analysis of this section. Contrary to the popular belief, share of Indian Carriers in International market has actually increased since the liberalization of market after years of stagnation in a protected environment. Trend observed with respect to International Passengers carried by scheduled carriers to and from India is given in Table 4.3. Scheduled Carriers of India have made some gains in total international passenger traffic from/ to India during the last 20 years. For instance, International traffic handled by Indian Carriers increased from 31.7 per cent in 1990-91 to 34.6 per cent in 2009-10.

Table: 2
Passenger Traffic Carried by Scheduled Carriers

Year	Passenger Carried (in millions)		
	Domestic	International	Total
1990-91	7.5	6.3	13.8
1995-96	12.2	9.4	21.6
2003-04	15.7	14.6	30.3
2010-11	53.9	37.9	91.8
Compounded Annual Growth Rate (per cent)			
1990-91 to 2010-11	10.4	9.4	9.9
1995-96 to 2003-04	3.2	5.7	4.3
2004-05 to 2010-11	18.5	14	16.5
1995-96 to 2010-11	10.4	9.7	10.1

Source: DGCA, AAI; Analysis: MoCA

Table: 3
Market Share of International Passengers

	Scheduled Carriers India	Foreign Carriers
1990-91	31.7	68.3
1994-95	29.3	70.7
2004-05	28.9	71.1
2009-10	34.6	65.4

Source: ICAO.

However, given the vibrant domestic air traffic market and the Indian economy being one of the most attractive investment destinations of the world, Indian Carriers could not make substantial inroads into the international market for air traffic. The low level of utilization of international traffic rights by Indian Carriers, restrictions on entry of Indian Carriers to operate on International routes and certain inherent cost disadvantages are often cited as reasons for slow growth in the market share of International Passenger traffic market for Indian Carriers. Another aspect of International traffic to and from India pertains to trend in foreign tourist arrivals in India. Table 4.4 traces the trends in Foreign Tourist Arrivals (FTAs) in India and some other countries since 1995. It is pertinent to note that FTAs in India is almost stagnant during the latter half the previous decade signifying the fact that inbound tourism potential that exists for India in its cultural

diversity and a vast array of attractions have not been tapped at all during the last few years. The stagnant inbound tourism is also attributed to protectionist market access policy regime.

Table: 4
Foreign Tourist Arrivals in India

Years	China	Singapore	Indonesia	India	Brazil	Vietnam
1995	20.0	6.1	4.3	2.1	2.0	1.4
1996	22.8	6.1	5.0	2.3	2.7	1.6
1997	23.8	5.9	5.2	2.4	2.9	1.7
1998	25.1	5.1	4.6	2.4	4.8	1.5
1999	27.1	5.6	4.7	2.5	5.1	1.8
2000	31.2	6.1	5.1	2.7	5.3	2.1
2001	33.2	5.9	5.2	2.5	4.8	2.3
2002	36.8	5.9	5.0	2.4	3.8	2.6
2003	33.0	4.7	4.5	2.7	4.1	2.4
2004	41.8	6.6	5.3	3.5	4.8	2.9
2005	46.8	7.1	5.0	3.9	5.4	3.5
2006	49.9	7.6	4.9	4.5	5.0	3.6
2007	54.7	8.0	5.5	5.1	5.0	4.2
2008	53.1	7.8	6.2	5.4	5.1	4.3
2009	50.9	7.5	6.3	5.2	4.8	3.8
210	Not Available	9.2	Not Available	5.6	5.2	5.1

Source: World Bank

FTAs in countries like Indonesia, Singapore and China are much higher than FTAs in India. Particularly it is to be noted that FTAs in India is about one-tenth of that in China. In order that India's FTAs is increased, it is essential that the concerned Ministries and Departments like Ministry of Civil Aviation, Ministry of Tourism, Ministry of Culture and State governments work in tandem. Therefore, enhancement of international air traffic to and from India could come from both the sides. A substantial reform in the market access arena could perhaps change the situation. For instance entry of India based low cost carriers between India and Middle East and between India and South East Asian countries could boost international traffic as services in this region

have become more convenient and less expensive at a time when disposable incomes of people in India are on the rise. The share of Inbound and Outbound passengers has approximately been in the same proportion viz. 50 per cent each. However, experience in the last seven years show that the inbound passenger traffic is growing at a faster rate as may be seen in Table 4.5.

Table: 5
Growth of Outbound and Inbound Passengers
(In Millions)

Year	Outbound (Embarked)	Inbound (Disembarked)
1995-96	5.4	5.2
2003-04	8.1	7.6
2010-11	18.7	18.3
Compounded Annual Growth Rate (per cent)		
1995-96 to 2010-11	8.60 per cent	8.80 per cent
1995-96 to 2003-04	5.10 per cent	4.90 per cent
2003-04 to 2010-11	12.70 per cent	13.40 per cent

Source: DGCA

KEY DRIVERS OF GROWTH OF INDIAN AVIATION:

Growth rate of the economy has been steadily rising. For instance, in the period 1990-91 to 2003-04, the CAGR of India's GDP works out to 5.7 per cent which then rose to 8.6 per cent during 2004-05 to 2010-11. The growing economic activity resulted in greater business travel by professionals and greater leisure travel by individuals. These income groups drive the consumption pattern in India and are primarily concentrated in urban areas. NCAER analysis reveals that the middle-income group population in 2010 stood at 160 million individuals i.e. 13.3 per cent of the total population, which is expected to rise to 547 million in 2025 (i.e. 37.2 per cent of the total population). About 62 per cent of the population is in the working age group of 15-60 years and this proportion is set to increase in future indicating a larger employee base, greater business travel and greater economic activity. McKinsey Global Institute's projections state that India's urban population will be 590 million by 2030 i.e. about 40 percent of the total population of India. The number of million plus cities will increase to 68 by 2030 of which 13 cities will have more than 4 million and six cities will have more than 10 million persons.

Low Cost Carrier (LCC) model which made air travel affordable for common man got established firmly in the domestic market since 2004. This stimulated the pent-up demand for air travel. LCCs along with the LCC brand of Full Service Carriers (FSCs) constituted 63.3 per cent of the market share in 2009. The domestic traffic is rapidly shifting towards the LCC model. Market sources suggest that this has crossed 67 per cent during 2011-12. Also, the LCCs are reported to have displayed strong operational performance immediately after the recovery witnessed in 2010. This leads us to believe that Low Cost Operations in a price sensitive market like India appear to be a more sustainable business model.

CONCLUSION:

Overall analysis demonstrates that there has been paradigm shift in civil aviation in India. The role of public sector in civil aviation has drastically declined while the share of private sector in civil aviation has significantly increased over the period. There has been enormous growth in infrastructure and facilities at the major airports besides, phenomenon growth in the passengers. A large segment of passengers comprises of women and girls. A large proportion of women passengers including girls travel alone or with their small kids. Thus, they require special facilities and care at the airport. Most of the airports are not concerned about the special care and services for women segment of passengers. No airline has introduced any scheme for addressing the gender concerns and issues while delivering the air services to them. Even gender concerns have not been incorporated in the service manuals of the airlines. Thus, it is imperative to restructure the services and facilities at the airport and in the airlines to cater the needs and requirements of women passengers.

**Table: 5
Fleet Size of All Scheduled Airlines in India**

Name Of The Airline	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Air India	31	35	37	38	35	36	31	33	29	94
Ai Express	-	-	-	4	13	18	21	25	Ns	21
Indian Airlines	43	47	52	55	59	72	72	76	77	*
Alliance Air	11	15	15	15	15	20	16	17	14	11
Jet Airways	41	41	42	53	63	81	88	88	98	103
Jet Lite (P) Ltd.	12	20	22	29	27	25	24	25	18	19
Air Deccan	-	4	16	29	39	41	-	-	-	-
Paramount *	-	-	-	1	5	5	5	-	-	-
Spice Jet	-	-	-	5	11	19	19	20	Ns	40
Kingfisher	-	-	-	11	25	41	83	66	66	-
Go Air	-	-	-	3	5	6	-	8	12	12
Indigo	-	-	-	-	8	17	19	25	38	55
Total	138	162	184	243	305	381	378	383	352	355

Source: ICAO

Growth of scheduled international traffic is shown in Table 4.18. There has been about 5 times increase in the number of international passengers during 1990-91 to 2009-10. During 1991, total number of passengers were reported 6.3 million which increased 32.1 million in 2009-10. Out of total international passengers, a large segment of passengers constituted foreign passengers. During 2009-10, 21 million foreign passengers were reported while the numbers of Indian passengers were recorded 11.1 million.

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