

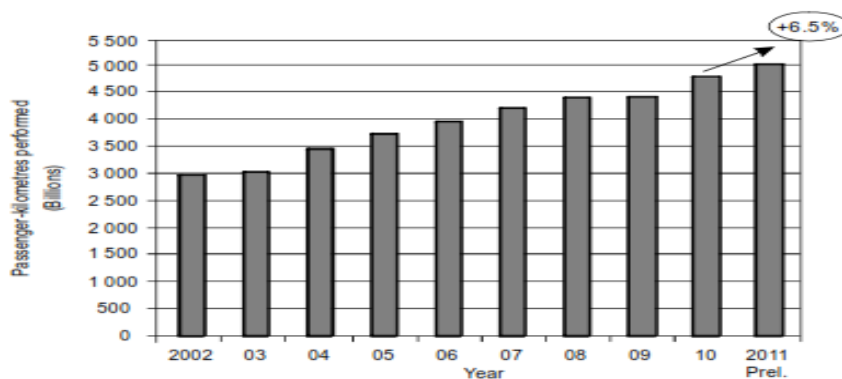
CHAPTER 23

CIVIL AVIATION

23.1 The World of Air Transport in 2011: The Civil Aviation Sector witnessed a strong recovery during 2010 from the adverse impact of the recent global financial crisis. According to preliminary traffic statistics compiled by International Civil Aviation Organisation ICAO, world passenger kilometres performed on total scheduled services (i.e. international and domestic services combined) increased by about 6.5 per cent (7.1 per cent international and 5.4 Per cent domestic) over 2010. The airlines of ICAO's 191 Member States carried approximately 2.7 billion passengers in 2011, showing an increase of about 5.6 per cent over 2010. The number of departures on scheduled services reached 30.1 million globally in 2011 compared to 29 million in 2010.

23.2 The largest percentage increase was registered by the airlines of the European Region, with 9.6 per cent growth, followed by those of the Middle East (8.8 per cent), the Latin America/Caribbean Region (6.4 per cent) and Asia/Pacific (6.0 per cent). Europe, moreover, benefited from the continuing ability of low-cost carriers to expand their point-to-point markets. International traffic in the markets of Africa and North America grew by 1.1 and 3.4 per cent, respectively. However, in the case of North America, this comparatively low growth figure relates to a larger traffic base and therefore still represents a significant increase in absolute terms. In case of international services of Indian scheduled operators number of passengers carried increased by 7 % during 2011-12.

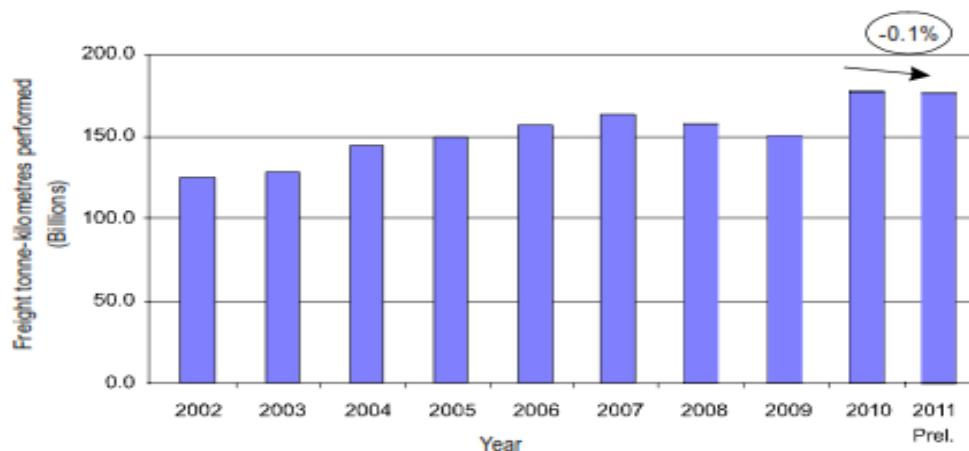
23.3 In terms of domestic air services, markets overall grew by 5.4 per cent over 2010. Growth rates of 1.9, 2.0 and 3.9 per cent in Africa, North America, and the Middle East, respectively, were offset by rates of 7.0 per cent in Europe, 9.1 per cent in the Asia/Pacific Region, and 13.5 per cent in Latin America. In case of domestic services of Indian scheduled operators number of passengers carried increased by 13% during 2011-12



Total scheduled traffic passenger kilometres performed worldwide

23.4 Capacity offered by the world's airlines, expressed as available seat-kilometres, increased globally by 6.7 per cent, the global load factor did not change compared to 2010.

23.5 Air cargo, in terms of freight tonne-kilometres performed, posted a marginal decrease of - 0.1 per cent with approximately 51.4 million tonnes of freight carried. The heavier economic climate in Europe, coupled with a slowdown in Chinese exports, and strong competition in maritime transport, adversely affected cargo traffic. The cargo carried by Indian scheduled operators also decreased compared to the previous year both for domestic and international services.



Total scheduled freight traffic worldwide

Development of Civil aviation in India :

23.6 In December 1912, the first domestic air route was unwrapped between Delhi and Karachi by the Indian State Air Services (in collaboration with Imperial Airways of the UK). This marked a new beginning in India. Then countries' first air mail service was started by the Tata Airlines in 1912. Although Tata Airlines was started as an air mail service but later it endeavored in carrying scheduled passenger traffic. Tata Airlines was renamed as Air India in 1946. In early 1948, a joint sector company, Air India International Ltd., was established by the Government of India and Air India (earlier Tata Airline). There were eight companies in service within and outside the country at the time of independence, namely Tata Airlines, Indian National Airways, Air service of India, Deccan Airways, Ambica Airways, Bharat Airways and Mistry Airways.

23.7 In wake of worsening financial conditions of airlines, in 1953, the government nationalized the airlines via the Air Corporations Act, 1953.

This gave birth to Indian Airlines and Air India. Indian Airlines came into being with the merger of eight domestic airlines to operate domestic services, while Air India International was to operate the overseas services. Furthermore, the Act gave monopoly power to Indian Airlines to operate on domestic scheduled services ruling out any other operator. Air India became the single Indian carrier to operate on international itinerary excluding some routes to the neighboring countries which were given to Indian Airlines.

23.8 The second phase of the sector began in the year 1986. In this period, the private sector players were granted permission to operate as air taxi operators. In 1994, government of India revoked the Air Corporation Act.

23.9 By 2003, only two private carriers survived to see the sunrise of the new century, i.e. Jet and Sahara. But the duopoly of **Jet and Sahara** as private carrier was challenged in 2003 by Air Deccan. **Air Deccan gave India its first Low Cost Carrier (LCC) or no frills Airline** which was a turning point in the history of Indian Aviation Sector. It marked a shift from the stereo type economy fares & business fares to the era of check fares ; web fares ; APEX fares ; internet auctions ; Special discounts ; Corporate plans ; last day fares; promotional fares etc. With the arrival of Deccan, reformation and innovation began in the aviation sector. Air traffic since then had tremendous growth rates. On witnessing the success of LCC Model, other airlines also started to operate in the sector and opted for No-Frill Model. These airlines included; **Kingfisher; Indigo; Paramount; Go Air** which began operations in India. Some new carriers such as Star Airlines, Skylark, Magic Air, Air One and some others were given license to operate in the sector.

23.10 Another milestone in the history of the Indian Aviation sector came in the year 2007. This was the year of mergers and collaborations in the Indian skies. In the year 2006, the merger of Jet-Sahara & IA-AI was announced but it materialized only in 2007. After this, the Indian aviation sector has witnessed a series of M&A of airlines namely: Indian-Air India; the Jet-Sahara Deal; the Kingfisher-Deccan Deal.

23.11 FDI in domestic airlines by international carriers, to help airlines making sustained losses, is expected to be another landmark in the aviation history .

Performance of Civil Aviation Industry in India

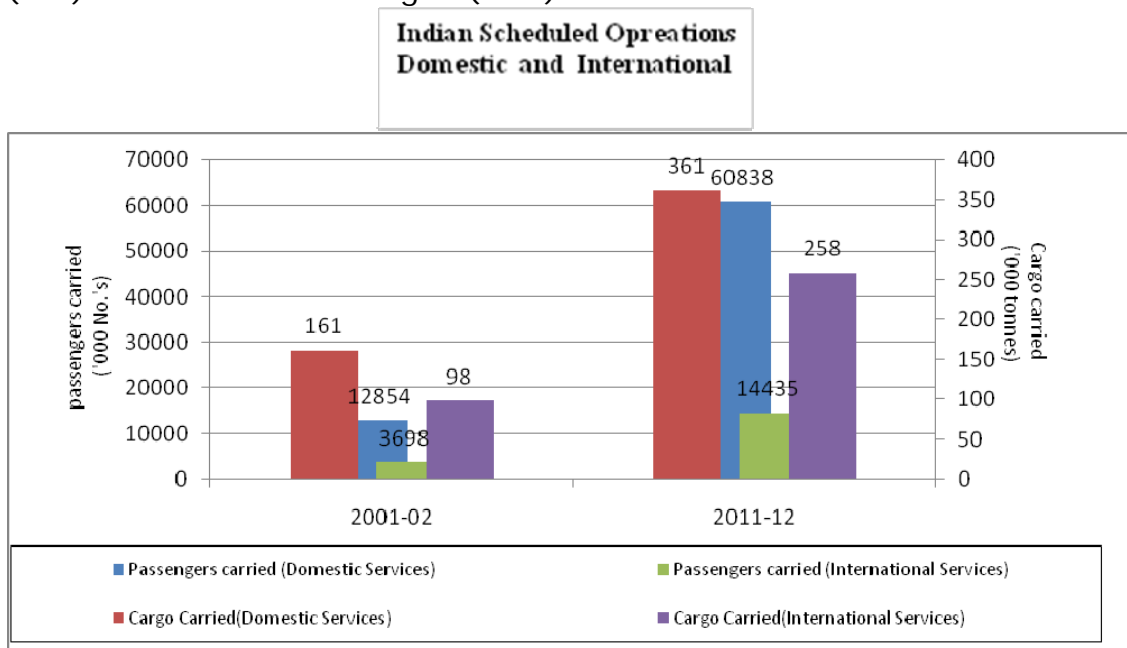
Indian Scheduled Operations : Trend , Present Status & Future Forecasts

23.12 During the decade (2001-02 to 2011-12), passengers carried by indian scheduled operators (domestic services) increased by about 373

per cent from 12,854 thousand to 60,838 thousand whereas that in international services increased by about 290 per cent from 3,689 to 14,435. Increase in cargo during the period was less at about 124 percent(161 to 361 thousand tonnes) & 163 per cent (98 to 258 thousand tonnes) respectively for domestic & international services.

23.13 Annual growth rate during 2010-11 to 2011 -12 , however showed both increase and decrease in different categories. In domestic services , while No. of passengers carried increased by 13 % , cargo carried decreased by 5 %. Similar trend was observed in case of international services where number of passengers carried increased by 7 % during 2011-12 compared to previous year, whereas cargo carried decreased by 1%. Further, passengers carried by domestic airlines during Jan-Sep 2012 (first three quarters of calendar year) were 438.39 lakhs as against 442.18 lakhs during the corresponding period of previous year thereby registering a growth of - 0.9%(i.e. marginal decline).

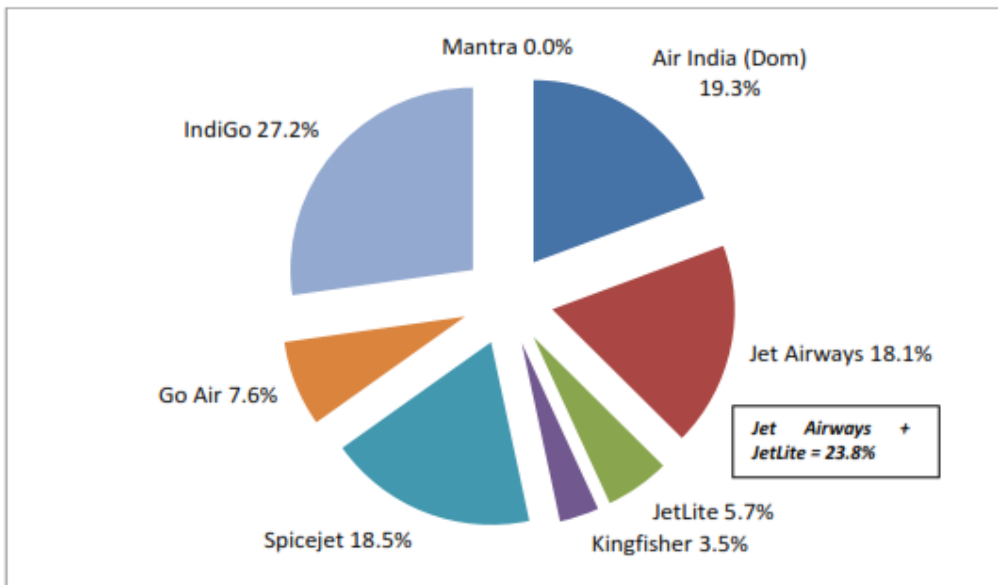
23.14 **Capacity Utilization** : Capacity utilization has increased since 2001-02 in domestic services with both passenger (increase from 55 to 75) and weight load factors (52 to 68) recording impressive increase . However, in the international services the increase was lesser in case of PLF (from about 70 to 75) and weight load factor recorded decrease from 66 during 2001-02 to 62 during 2011-12. Reverse trend was observed in case of annual comparison (i.e. 2011-12 over the previous year). Load factors in the domestic services recorded a marginal decrease whereas that in the international services either increased marginally (PLF) or remained unchanged (WLF).



23.15 Industry forecast suggest that India will be the fastest growing civil aviation market in the world by 2020 with about 420 million passengers being handled by the Indian Airport System as against 140 million in 2010.

23.16 **Non scheduled** revenue services of Air India saw better capacity utilization (about 67 %) during 2011- 12 (it has been usually less than 35 since 2000-01) as it flew more number of passengers and carried more freight. Kilometers flown were however significantly less accounting for one of the lowest tones kilometers since 2000-01.

MARKET SHARE OF SCHEDULED DOMESTIC AIRLINES



23.17 Compared to initial days of aviation, marked by ubiquitous Air India, several private airlines have not only entered the domestic market but have gained sizeable market share in the same. Presently, Indigo leads with about 27 per cent market share , followed by Jet Airways (including JetLite) with 24 % and Air India (domestic)19.3%.

23.18 **Challenges before Indian Aviation Industry** : Recent news of flight cancellations, cash shortages & survival fears of Kingfisher airlines mirror, to a lesser extent the concerns of its peers as well. High aviation fuel prices and depreciating rupee, policy issues, like high sales tax on aviation fuel and airlines having to fly unviable routes to develop

connectivity in the country, is causing them hardship. But it is the **inability** of Indian airlines **to hike ticket prices** that is hitting them the hardest. It's the way the market is structured that prevents any airline in India from raising prices. No airline owns a significant chunk of the market, which means that if one airline does try to hike fares and others don't follow suit, its fliers will be easy business to its competitors. This means that no airline raises prices until it knows that others are likely to do the same. Airlines can merely hope for another consolidation -like Jet Airways buying Air Sahara and Kingfisher buying Air Deccan to get some control over the market. Or they can hope for some relief in terms of economic conditions or policy changes.

23.19 High airport (aeronautical) charges : The airport charges levied by the Indian airports are amongst the highest in the Asian and the Gulf countries. India at present does not have any secondary airports for Low Cost Carriers (LCCs) and the Indian LCCs have to shell out comparatively higher airport charges than its international peers.

23.20 Congestion : Congestion at airports is another issue that irks the aviation industry in India. It not only influences the turnaround time of the aircraft and reduces the average aircraft utilization but also adds to the costs significantly in form of fuel wastage as the aircraft has to hang around in the sky.

23.21 Governance & Infrastructure : The **Ministry of Civil Aviation** is the authority responsible for policy formulation, development and regulation of the Civil Aviation industry in India. The Ministry oversees the planning and implementation of growth and expansion programmes in the civil aviation sector, airport infrastructure and air navigation services.

23.22 Air Transport Directorate, of Office of The Director General of Civil Aviation under the Ministry of Civil Aviation governed the Air Transport Services in the country by the Rule 134 and Schedule XI of Aircraft Rules 1937. Besides this, the Civil Aviation Requirements (CAR) Section 3 Series C Part I to VI deal with the minimum requirements and procedures for issue/renewal of Scheduled/Non-Scheduled Operators Permit in different categories like passenger/cargo/charter.

23.23 Airports Authority of India (AAI) is an organization working under the Ministry of Civil Aviation that manages most of the airports in India. It is entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and air space in the country.

23.24 During last few years, some of the airports have been privatized under revenue sharing agreement ,despite protests from AAI. The chief purpose behind privatization was to modernize the airports & upgrading their facilities. Amongst the major airports, Chennai & Kolkata airports are under the purview of privatization , after initial experiences of privatization of Delhi and Mumbai airports. Phase-1 of the development work of the Indira Gandhi International Airport ,Delhi has already been completed with the operationalization of Terminal-3.

23.25 **Source of information on Civil Aviation Statistics** : The **Statistics Division** of the **Air Transport Directorate** is responsible for maintaining data on aviation parameters governed by Aircraft Rules. Schedule XI of the Aircraft Rules, 1937 lays down that every person to whom a permit has been granted by DGCA under the Schedule shall submit to the DGCA the following:

- Monthly returns regarding the operations of the permitted air transport services
- Annual returns showing the financial results of the services or operations during each calendar year.

23.26 In compliance of above convention and Aircraft Act, the Statistical Division collects data pertaining to Civil Aviation from various sources viz. National Carriers, Private Operators – both scheduled and non-scheduled, Foreign Airlines and airports managed by Airports Authority of India.

23.27 At the moment 10 airlines are operating (four public carriers and 6 private carriers). Data from these scheduled air carriers is collected as per ICAO prescribed forms A, AS, B, C, D and EF, details of which are given in the table below.

ICAO Prescribed Forms for Collection of Civil Aviation Statistics		
Form No.	Subject	Frequency
Form-A	Traffic- Commercial Air Carriers	Monthly/Quarterly/Annual
Form-AS	Summary Forms (Traffic)	Annual
Form-B	On-Flight Origin and Destination (Scheduled Services (Rev.)- International	Quarterly

	operations	
Form-C	Traffic by Flight Stage (Scheduled Services (Rev.)- International operations	Annual
Form-D	Fleet & Personnel- Commercial Air Carriers	Annual
Form-EF	Financial Data- Commercial Air Carriers	Annual

23.28 Besides the Indian carriers, foreign airlines also carry passengers to and from India. Monthly data on flights operated, number of passengers and amount of freight carried is collected from each airline. Passenger and freight traffic for the country as a whole as also city-pair and country wise are published annually and from 2010, this data is also being uploaded quarterly.

23.29 From the non-scheduled operators, data on number of flights operated as also the passengers carried is collected monthly. From the financial year 2008-09, data is also being collected as per ICAO prescribed forms A, D and EF. Data is collected every month from each airport on the aircraft movement, passengers embarked and disembarked and freight & mail loaded and unloaded.

23.30 The Statistics Division in DGCA Division collects data pertaining to Civil Aviation from various sources viz. Air India, Indian Airlines, Private Operators, Foreign Airlines and various airports managed by Airports Authority of India. The data thus collected are compiled and are then published annually in a publication entitled "**India Air Transport Statistics.**" The publication includes traffic statistics in respect of scheduled and non-scheduled air services of domestic as well as foreign carriers; detailed information on fleet strength, aircraft utilization, staff strength, financial results of Air India, Indian Airlines and Airport statistics for both international and domestic airports. Further, it includes statistics in respect of international traffic to/from India to various countries, domestic traffic carried by scheduled, non-scheduled and air taxi operators and traffic carried on tourist charter flights and flights operated under Open Sky Policy for all-cargo services. Some graphic charts are also given along with the tables. The data on passengers, freight & mail in this publication relates to revenue traffic only.

References :

- Annual Report of the Council 2011, International Civil Aviation Organisation
- Website of Directorate General of Civil Aviation.