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Club Number : 15228

# The Midtowner

**Bulletin of Rotary Club of Chandigarh Midtown: R.I. District 3080**

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PROGRAMME

Our Actions, & Karma.....!

By Ms. Sumedha Talwar

Friday, May 11, 2012

Time: 7.00 p.m.

Venue: Hotel President, Sector 26, Chandigarh

## THE INDIAN AVIATION SCENARIO

I guess most people just plain missed it .....

.....an interesting talk on the Indian aviation scenario! By an interesting Rotarian – no, make that an interesting officer and a gentleman!

Meaning Wing Commander Kamal Nath, who, besides serving in the IAF as a check pilot (ask him what that means), also risked his life and the AN 12 that he used to fly as a pilot with that super secret organization (but not anymore) RAW. He also did other stunts in civvy life to tot up a measly(?) 26, 350 hrs of flying in the earth's atmosphere! Without a blemish, or accident! That's a bit more flying than most of us end up in a lifetime of driving – if you calculate one's time on the roads in Chandigarh at least! My driving takes me anywhere in the city within 15 mins. at the most. And a trip to Delhi or Amritsar or Bathinda in about 3.5 hrs average. – one way! (I'm not showing off – it's just that I haven't been challaned as yet!)

When he was not up in the air at the wheel/cockpit of an aircraft, he was busy trying to get the same heady feeling atop the Kanchenjunga or representing India's equestrian (that's horse riding with style) & Polo teams in international events! If not swimming at the Asian Aquatics Championship in Kuala Lumpur.

I guess that's what you get when you join the Army, or the Air Force.....!

Would you call that fun? Or work! Especially when you end up on lonely flights over the North Pole (the first Indian to do so) or reconnaissance missions over Bangladesh (then East Pak) and NEFA (no towns, roads or navigation aids those days) in rickety old aircraft! But he's also flown the latest – the Grumman Gulfstream or the Jetstream (twin engine private luxury jets) besides other jets of the corporate world. He's been an instructor, and an examiner with the DGCA – for a mere decade and a half. He's been packing more into his life than most of us would in a truck! So what's the future hold for us in the Indian skies? For that we need to know your age! Okay, ladies are exempt from answering that!

If you were born in the fifties, then you'd have seen the change coming in. From weeks long ocean voyages to England or anywhere else, to getting to fly in turbo-props! Those of you who have gotten aboard a Comet, or an Avro, or even the Caravelles, would be part of that history! These started service in the early fifties. Soon to be replaced with the ubiquitous Boeing 707!

In the year 1976 we had the first SST – the supersonic Concorde – doing the trans-Atlantic run in less than 3 hrs - compared to the Titanic – which was designed to cut down the weeks of sailing time to just days! The fastest passenger ship in those times was the liner United States, which did the trans-Atlantic run in 3 days & 12 hrs!

So how has travel changed in time?

I guess it was because of the creativity bug – which bit plenty of Inventors of various times. Starting with the legendary Icarus, who, as the story goes, flew too close to the sun – thus melting the wax he had used to stick his feathered wings, thus ending his first and last flight!

Next came another inventor called Michael Angelo, whose wooden

airship somehow did not work!

A third shot was given a wee bit later by another famous gentleman called Leonardo da Vinci, who, from his workshop near the Tiber, set out to make a flying machine with cloth mounted frames for a lightweight structure! They say the machine fell into the Tiber .....& both pilot & machine got wet!

But the real breakthrough came when two brothers – who were into bicycle repair jobs, ended up with a contraption that did fly – all of several hundred meters. So the Wright brothers – rightly or wrongly, can be considered the fathers of modern aviation! And we are not talking about balloons and airships which had already proliferated.

In India, the first flight covered a distance of .....5 miles! On Saturday, the 18th Feb 1911, from what is now Bamrauli airport to Naini (Allahabad). By a Frenchman named Henri Pequet! Seems he wanted to avoid carrying the 13.63 kg, sack of mail on his back that he was supposed to deliver at the Naini Post Office!

JRD Tata (God bless him!) did almost the same thing – but with 100 lbs. of mail – and a longer distance! From Drigh Road in Karachi to Ahmedabad – and got paid Rs. 100/- for the flight!

Wow! That started it – with the Imperial Airways (the first scheduled airline on the planet) using a Hawker Siddely A-129 taking off from London to reach Cairo in just 7 hrs. and then onward to Delhi in another 7 hrs. That was the flight time, but the plane actually took off on 31st Dec 1926, reaching Delhi on the 3rd Jan the next year at 1600 hrs. I guess the pilot – or the plane – had to get some rest in between the flight!

By 1932 JRD Tata was flying passengers from Bombay to Ahmedabad for Rs. 58/-, with the onward trip to Karachi costing another Rs. 40/-. In the same Hawker Siddely A-129 with 30 seats!

Bas, phir kya tha?

The Royal Imperial Indian Airways was born – with a fleet of 6 DC-3 Dakotas (lovingly called the Gooney Bird). 370 INR would get you to Cairo, via Aden, usually on time – right in the middle of the afternoon at 1400 hrs local time! That's because someone would have to look for the route – usually someone who knew the towns and other landmarks along the way! RDF & other navigation eqpt. came slightly later, as did the GPS systems. If you ask me the guidance systems were divine.....!

And God was the co-pilot! As long as one kept Him pleased! In 1947 JRD's airline was renamed Air India International, and the office moved out of the basement of the Taj Hotel in Mumbai, and Indian Airlines was the name of the domestic carrier. But most people still took the ocean going ships from the Red, Green or the Blue gates at Ballard Estate where all the docks still flourish. This went on till almost well into the sixties – with ships sailing for East Africa where commercial airlines yet had to find a market. Maybe your geriatric doctor friend with a FRCS or a FRCP will reminisce about those long and lonely voyages on his first visit to the UK for higher studies. Today, the cost per passenger mile in an aircraft is lower than say, a train, or even your car. And cut-throat competition has ensured that some airlines are in their death throes. This is mainly because

of the attitude of, coupled with the severe lack of knowledge of the mechanics of running an airline – by the control group – the Aviation and allied ministries.

For a start the National carrier – Air India – is in the so called ICU – gasping for life! And looking for Rs. 67,000 crore bailout from the govt.

Prafulla Patel, the previous Minister for Civil Aviation (till Jan 2011), has many explanations for the mess. One of the biggest reasons is that he had to fund a 2005 commitment for a 111-aircraft order worth \$15 billion placed with Boeing and Airbus. This came on the back of global recession, high prices of aviation turbine fuel (ATF), increased competition because of India's open sky policy and declining passenger revenue (from Rs 10,242 crore in 2006-07 to Rs 9,954 crore in 2007-08). Low freight revenue (from Rs 747.63 crore to Rs 672.65 crore during this period) and increased staff costs (from Rs 2,730 crore to Rs 3,824 crore) further compounded matters. On top of this, aircraft utilization is at a low of nine hours per day while the benchmark is 16 hours. Domestic passengers are not favouring the airline either. In February 2010, Air India carried 6.63 lakh domestic passengers, much less than Kingfisher Airlines at 8.77 lakh and Jet Airways at 7.26 lakh. It accounted for 17.2 per cent of market share and a passenger load of 72 per cent, the lowest among all major carriers.

One of NACIL's new directors, Amit Mitra, also the Secretary-General of the Federation of Indian Chambers of Commerce and Industry (FICCI) (till the 18th May, 2011 – when he took over as the Finance Minister of W Bengal on the 20th), says drastic workforce restructuring is required. "The cost overhead is high and needs to change. But if there is an issue of workforce restructuring and it becomes a politically sensitive issue, one can look at enlarging the customer base," Mitra told TEHELKA.

If that's the general picture, consider the details. From a monopoly position in the 1990s, Air India is today fourth by way of market share (17 per cent), has a debt burden of a whopping Rs. 40,000 crore and financial losses amounting to Rs. 5,551 crore in 2009-10. This is the worst it has ever been in its 79-year history.

Before Indian Airlines and Air India were merged in 2007, the domestic carrier had losses to the tune of Rs. 280 crore and was on the verge of nosing out of the red. Air India had losses of about Rs. 455 crore. Thus the total losses of the two airlines amounted to Rs. 735 crore. Within three years of the merger, losses have touched nearly Rs. 16,000 crore. That's just one link in a chain of inexplicable policy decisions. One can pick out, at random, many other moves that mystify observers, enrage the staff and give the airline so much extra baggage that it's a wonder that flights still take off.

Take aircraft purchases. In 2007, the Parliamentary Committee looking into Air India's acquisition plans of 2005 found that the programme totally lacked required transparency. Specifically, it made the observation, "Reasons for going ahead with huge purchases by the civil aviation ministry despite Air India and Indian Airlines not having the capacity to support it, remain unknown to the Committee. It, therefore, recommends that this aspect needs to be further probed to fix the responsibility for taking such an ambitious decision that has become a big financial

liability."

Initially, Air India had planned to buy only 24 aircraft and Indian Airlines had planned to purchase 43 aircraft. Under the active guidance of Patel, Air India changed its plan and within 24 weeks firmed up a proposal to buy 68 aircraft. Note the anomaly: with an annual turnover of just Rs. 7,000 crore, it was placing orders for Rs. 35,000 crore for which the interest outgo would be Rs. 6,000 crore.

Already, the country's flag carrier is saddled with a debt of Rs. 40,000 crore (of this, Rs. 19,000 crore is high-cost working capital debt), an annual interest payment of Rs. 2,100 crore, or about Rs. 7 crore per day, and has accumulated losses of Rs. 15,000 crore. On top of this, it has an annual wage bill of Rs. 3,100 crore.

"The Rs. 7 crore per day to service interest on loans is what is killing us and that is the reason why we are unable to pay the salaries to our employees on time," says a senior airline official.

No wonder, a passenger overheard this conversation among executives at Air India's Delhi airport-based office: "I spoke to someone in the finance director's office and I was told there is no certainty about when we would be paid our salaries for February." January salaries were paid to the employees in mid-February. February salaries were paid on 7 March.

If this sounds like a death knell for a once-proud institution, it's not the only one. To protest working conditions and wage parity with the Air India counter-parts, pilots with erstwhile Indian Airlines have threatened to strike work next week. In fact, after the clumsy merger, retired pilots who were re-employed by the airline when it faced an acute shortage of pilots, have not been paid their dues, including flying allowance and arrears since 2007, despite several pleas to the ministry.

The financial ill-health of Air India is attributed by a civil aviation expert to a "systematic failure of the political and bureaucratic masters who have run the airline like their own principalities for years now. And the merger of Air India and erstwhile Indian Airlines in March 2007 under Patel's directives has led to an unmitigated disaster".

Ironically, adds the expert, global consulting firm Accenture, which was hired to draw a road map for the airlines' merger, was paid Rs. 90 crore for services provided. There are also whispers about why, while other airlines in India hire pilots at a salary of \$8,000 per month, Air India hires from a particular placement agency at \$10,000. The agency, it is learnt, is run by the son of a former Air India official.

Last year, the Committee on Public Undertakings (COPU) termed the merger as a "marriage of two incompatible individuals" and slammed the government for the "ill-conceived and whimsical" decision.

In its report submitted to Parliament, COPU suggested demerging the airlines under a single holding company to save the carriers. It recommended fixing of responsibility on 'agencies and individuals' who took such a decision and sought 'suitable action' to prevent such 'intangible loss' being caused to a State run company.

The merger of AI and IA in 2007 under Patel has led to a 'disaster', say industry experts.

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ARGUABLY THE most fatal blow to the airline in Patel's regime came from the issuing of flying rights to foreign carriers on routes where Air India could have really cashed in. "Squandering flying rights on lucrative sectors in the Gulf to foreign airlines including Etihad Airways, Qatar Airways, Air Asia, Singapore Airlines and several others, coupled with bad route structuring has left the airline where it is today," says Capt Mohan Ranganathan, a Chennai-based aviation expert.

During his meeting with the unions in the first week of February, Patel's successor Ravi, who was given the portfolio during the Cabinet reshuffle in January, was told that the airline had pulled out of as many as 32 profitable routes, mainly in the Gulf sector, for no apparent reason. Cruising deftly into the gap were private airlines. The minister, sources say, has sought a detailed report as to why Air India opted out of profitable routes. A union leader has a ready reason: "On many of the routes the load factor was as good as 80-100 percent and the only reason we see Air India opting out was to make way for private carriers."

For instance, the airline had, without citing any reason, sent letters on 8 October 2009 to its stations in Kozhikode, Doha and Bahrain stating that it was withdrawing operations on the route. "This is a route that is referred to as a legacy route," a senior pilot told TEHELKA. "We were raking in revenue to the tune of Rs. 100 crore per annum of which Rs. 40 crore came from Doha and the rest was the earnings from our Bahrain station. Despite all station managers writing to their regional managers to restart operations on this route, the stations managers never received any reply from the management."

To substantiate his point, he said, "Next what we learnt was that Jet Airways had started operations on this route, Etihad increased its frequency from three to seven flights a week, Emirates doubled its frequency from seven to 14 a week. This was one of the most profit-making routes and suddenly we were not on it but other foreign and private carriers were."

The other routes that the airline withdrew from due to different reasons include Bengaluru-Bangkok, Chennai-Colombo, Kolkata-Bangkok, Kolkata-Singapore and London-New York. And this list is merely indicative, there were several others.

Curtailing of routes, cunningly dubbed route rationalization, has had a

cascading effect: it led to underutilization of pilots and aircraft. As against 90 hours of flying per month, pilots are flying an average of 49-53 hours per month. Similarly, the average utilization of aircraft has also been affected — as against 16 hours of flying per day, aircraft with Air India are airborne for barely 9-10 hours a day.

"Every aircraft on the ground spells losses. In the aviation industry, it is airborne aircraft that bring in the revenues," a pilot explained. He adds that instead of flying to the west coast of the United States (Seattle, San Francisco) which have global IT giants like Microsoft, Intel, Dell and others, Air India is flying to non-lucrative destinations like Los Angeles in the US and Melbourne in Australia. The other airlines that are operating on these routes are flying full loads and the passengers mostly comprise Indian nationals working in these firms.

The latest Directorate General of Civil Aviation (DGCA) figures reveal that while all Indian carriers jointly operated a total of 5,25,504 flights on the domestic network during 2010, Jet Airways and its subsidiary JetLite operated 1,42,101 flights and Kingfisher Airlines operated 1,20,362 flights, leaving Air India at the fourth spot with only 1,01,352 flights.

If one minister is known to have willfully clipped the wings of the airline, can hope lie with the new incumbent? Everyone wonders whether the 74-year-old Congress leader will be able to pick up all the pieces and put it together again.

"Yes, this will be the No. 1 airline in the country and I will create it," a confident Ravi told TEHELKA. He has acquainted himself fully with the situation and instilled confidence in senior airline officials that he has the right intentions. A lot of positive energy was generated by his visit to the airline's Nariman Point headquarters in mid-February where he met representatives of as many as 14 trade unions.

A senior Air India official commends his decisiveness. On his Mumbai visit, union leaders told Ravi that because of staff shortage the airline was not able to take up baggage and ground handling for other airlines (third-party jobs). This could generate additional revenues for the beleaguered carrier. Ravi called senior officers to find out what the true picture was. The officer summoned glibly said that the airline was adequately staffed and could depute people to the new businesses.

## FLIGHT DATA

*These numbers are proof enough of the troubles at Air India*

40,000cr Amount of debt the country's flag carrier is saddled with

5,551cr Air India's financial losses for 2009-10, the worst figure in the carrier's 79-year history.

2,100cr Amount of annual interest that Air India has to pay. It works out to about Rs. 7 crore per day

\$10,000 The average salary of an Air India pilot. Their counterparts at private carriers make \$8,000

17percent Air India's market share, which makes it fourth on Indian chart

9-10 Number of hours Air India planes are airborne every day. Private airlines clock as much as 16 hours per day

"Not convinced," the official pointed out, "the minister called for another officer who told him that the airline was actually short of as many as 900

people and that was the reason why it is not in a position to take up third-party jobs. The minister wasted no time in transferring the officer who had

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Rtn. Darshan Singh Kalsi

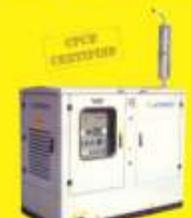
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lied to an insignificant outpost with immediate effect.” AIR INDIA officials feel that Ravi fully intends to clean up the mess. However, the job at hand is a mammoth one. Right now, apart from delayed salaries, there is a sense of crisis stemming from the fact that State-run oil companies have refused to give credit from 13 December, forcing Air India to pay Rs. 12.5 crore per day under a cash-and-carry scheme. The government is now tapping private sector fuel suppliers hoping for a line of credit and better discounts on volume.

On being asked how he intends to get the airline out of the financial morass, Ravi said, “Discussions are on to strengthen the airline’s financial situation. I am in talks with different government agencies but I would not like to disclose more.” He has since been relieved of the Ministry – which was taken over on Dec 19, 2011, by the Rashtriya Lok Dal chief – Sh. Ajit Singh, who is the current Min. for Civil Aviation – the day after he led his flock to join the UPA.

The global consulting firm that has been mandated to restructure Air India’s finances, and chose not to be named, has in its report to the government suggested certain harsh measures. One, that there should be no pay hikes or promotions for the next three years. Two, that the turbine fuel bill should be cut by Rs. 300 crore per year, by negotiating more aggressively with fuel suppliers for domestic routes.

But does the airline really have a chance in a competitive environment where it has, from a monopolistic position in the 1990s, slipped to fourth place with a mere 17 percent market share?

PRIVATE-SECTOR RIVALS such as Jet Airways, Kingfisher and IndiGo have raced ahead of Air India, which operated far less domestic and international flights this year.

Now that it has been run to the ground, some sector experts see no option but disinvestment. Kapil Kaul, the India head of aviation consulting firm Centre for Asia Pacific Aviation, says, “The airline should be privatized in the next three to five years through a series of financial processes and the government should avoid playing an interventionist role.” Asked about the future of the airline, former minister Patel oozed optimism about a turnaround in the near future. “The airline certainly has a future. The high cost debt is being converted into low-cost debt. The banks are willing to fund aircraft purchase, the government has infused Rs. 2,000 crore as equity and more would be infused as and when required, but employees and the management have to work very hard to turn around Air India,” he said. Now that AI has been run to the ground, some see no option but disinvestment.

*Abridged from tehelka.*

### Birthdays of spouses:

R’anne Neena Jauhar  
Dr. B C Gupta



May 12  
May 14

### Punctuality Draw

Won by Vice President Deepak Sood

In February 2010, the government had infused equity of Rs. 800 crore and was promised another dose of Rs. 1,200 crore in December to tide over the crisis and finance the fleet acquisition plan of 111 aircraft ordered from Boeing and Airbus in 2006. But it was dealt another blow by the Comptroller and Auditor General (CAG), which is learnt to have questioned the government’s decision that allowed the airline to order these aircraft for a whopping Rs. 50,000 crore.

Of the 68 Boeing aircraft ordered by Air India, around 40 have already been delivered. All 43 Airbus aircraft ordered for Indian Airlines have been delivered. The CAG has demanded to know the basis for projections of market growth for the airline, matched with its achievement till date. The CAG also wants to know the reasons behind Air India’s dwindling domestic market share, which crashed from the high of 23-24 percent, achieved just before the merger.

While these government agencies go about the business of trying to get a fix on the problems, criticism came from an unexpected quarter: Gustav Baldauf, hired as the chief operating officer (COO) at a salary of Rs. 3 crore per annum. In an interview to a newspaper, he complained of “too much government interference”. For this, he lost his job on 28 February. So did Pawan Arora, COO of the airline’s low-cost arm Air India Express, who was drawing Rs. 1.2 crore per annum. Arora was sacked after the four independent directors gave adverse feedback about his appointment.

Asked to analyse the government’s role, Air India’s former executive director Jitender Bhargava said there is ambivalence in the government’s commitment, which is expressed in strong words but not in action. “There is total lack of vision on part of the senior management as a consequence of which no long-term policies are being worked out to improve the product or create new revenue streams for the carrier,” he said.

He further added that the airline’s top management has been experimenting with the airline but only with disastrous consequences. The airline, he feels, needs decisions that make commercial sense.

“It is a fight for survival,” Air India Chairman and Managing Director Arvind Jadhav had said in a letter to employees shortly after taking charge in May 2009. But is it just about survival or is there any hope that the glory of the flag carrier will be restored? Experts imply this is an outdated notion, that any other airline is as much of a flag carrier as Air India is. Right now it is fourth among eight Indian carriers, sinking in a sea of troubled waters.

*Written by PP Pallav Mukherjee*

### Wedding Anniversary

R’anne Santosh & PP Kesho Ram Gupta  
R’anne Anu & Rtn. Sanjay Singhal  
R’anne Chanchal & Rtn. C J Rai

May 11  
May 12  
May 17