

PRIVATIZATION OF CIVIL AVIATION INDUSTRY IN INDIA WITH SPECIAL REFERENCE TO AIR INDIA

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ABSTRACT

The privatization of India's civil aviation industry refers to the process of transferring ownership, management, and operation of airports, airlines, and related services from government control to private entities. This strategic shift aims to introduce market-driven principles, enhance efficiency, foster competition, attract investment, and improve overall performance within the aviation sector. The open sky policy has had a significant impact on the civil aviation industry in India. It has led to increased competition, expanded route networks, improved connectivity, and enhanced consumer choice. Airlines have been able to enter new markets, operate more efficiently, and offer competitive fares, benefiting both passengers and the industry as a whole. Additionally, the open sky policy has encouraged investment in airport infrastructure, technology upgrades, and service enhancements to meet growing demand and improve the overall travel experience.

Keywords: Privatization, Aviation Sector, Open Sky Policy, Directorate General of Civil Aviation (DGCA), Airports Authority of India

INTRODUCTION

Air India operates as a comprehensive airline that serves a diverse range of travelers, businesses, and cargo clients. Its operations span domestic and international routes, contributing to India's connectivity with the global aviation network. Privatization is seen as a strategic move to address the financial, operational, and competitive challenges faced by Air India, unlock value, attract investment, and ensure the airline's sustainability in a rapidly evolving aviation industry.

MATERIALS AND METHODS

For the purpose of depth study the contents have been taken from interview, relevant books and articles from journals and websites. The method used in analytical and descriptive. Both primary as well as secondary sources of information have been taken.

RESULT AND DISCUSSION

The privatization of India's civil aviation industry has evolved over several decades, marked by key milestones and policy reforms. Here's a brief history of the privatization process:

Early Stages (Pre-1990s): Before the 1990s, India's civil aviation sector was largely dominated by state-owned entities, including Air India and Indian Airlines. The government held a monopoly over air travel, with limited private participation and competition.

Liberalization and Economic Reforms (1990s): In the early 1990s, India embarked on economic liberalization and reforms, opening up various sectors to private investment and competition. This period saw the introduction of policies aimed at deregulation, liberalization, and encouraging private participation in the aviation industry.

Entry of Private Airlines: The liberalization efforts led to the entry of private airlines in the late 1990s and early 2000s. Airlines such as Jet Airways, Air Sahara (later acquired by Jet Airways and rebranded as Jet Lite), and later IndiGo, SpiceJet, and others, emerged as competitors to the state-owned carriers.

Formation of Regulatory Bodies: With the growth of private airlines and increasing competition, regulatory bodies such as the Directorate General of Civil Aviation (DGCA) and the Airports Authority of India (AAI) played crucial roles in ensuring safety, compliance, and fair competition in the industry.

Privatization of Airports: Alongside the entry of private airlines, the government initiated the privatization of airports to improve infrastructure, efficiency, and service quality. Major airports like Delhi, Mumbai, Bengaluru, Hyderabad, and others were privatized through public-private partnerships (PPPs) or concession agreements.

Policy Reforms: Over the years, policy reforms and initiatives such as the National Civil Aviation Policy (NCAP) have been introduced to promote growth, investment, and sustainability in the aviation sector. These policies focus on enhancing connectivity, boosting regional air travel, attracting foreign investment, and supporting the growth of low-cost carriers.

Impact of Privatization on Civil Aviation Industry:

The privatization of India's civil aviation industry has had a transformative impact, leading to increased competition, improved services, expanded route networks, and enhanced passenger experience. It has also attracted foreign investment, technology transfer, and innovation in aircraft operations, maintenance, and airport management. Overall, the history of privatization in India's civil aviation industry reflects a gradual transition from state monopoly to a more competitive and dynamic market environment, driven by liberalization policies, private sector participation, and regulatory reforms.

Air India-

Air India is a major airline in India that operates both domestic and international flights. It is the flag carrier of India and serves as a prominent player in the country's civil aviation sector. The airline is known for its extensive route network, covering destinations across Asia, Europe, North America, and the Middle East. Air India operates a diverse fleet of aircraft and offers a range of services to cater to the needs of passengers and cargo transportation.

Air India has a rich history that spans several decades, marking its evolution as a prominent airline in India and globally. Initially established as Tata Airlines in 1932, it became Air India in 1946 after nationalization. Over the years, Air India has played a pivotal role in shaping India's civil aviation industry, pioneering international air travel and connecting the country to global destinations. The airline has undergone transformations, expansions, and modernizations, contributing to its status as the national carrier of India and a symbol of the country's aviation heritage.

Working of Air India

Air India operates as a full-service airline, providing both domestic and international flights to passengers and cargo services. Here's an overview of working of Air India:

Route Network: Air India has an extensive route network that covers domestic destinations within India and international routes to key cities around the world. The airline operates flights to major cities in Asia, Europe, North America, Africa, and the Middle East, connecting India to global markets.

Fleet: Air India operates a diverse fleet of aircraft, including wide-body and narrow-body jets. The fleet consists of Boeing and Airbus aircraft, such as the Boeing 777, Boeing 787 Dreamliner, Airbus A320, and Airbus A321. These aircraft are equipped to serve various routes and passenger capacities.

Passenger Services: Air India offers a range of passenger services to enhance the travel experience. This includes comfortable seating options, in-flight entertainment systems, meal services, Wi-Fi connectivity on select flights, and amenities for premium class passengers.

Cargo Operations: In addition to passenger services, Air India provides cargo transportation services for freight and logistics. The airline operates dedicated cargo flights and offers cargo capacity on passenger flights, catering to the transportation needs of businesses and industries.

Operational Efficiency: Air India focuses on operational efficiency to ensure smooth and reliable flight operations. This includes efficient aircraft scheduling, maintenance programs, flight crew training, ground handling services, and adherence to safety protocols and regulations.

Customer Experience: Air India places importance on customer satisfaction and service quality. The airline strives to provide a comfortable and enjoyable travel experience for passengers through attentive cabin crew, on-time performance, convenient booking options, and responsive customer support.

International Partnerships: Air India has partnerships and codeshare agreements with various international airlines, enabling seamless travel and connectivity for passengers to additional

destinations beyond Air India's own route network. These partnerships enhance travel options and benefits for customers.

Safety and Security: Air India prioritizes safety and security throughout its operations. The airline adheres to strict safety standards, conducts regular maintenance checks on aircraft, implements security measures at airports, and trains staff on emergency procedures to ensure the well-being of passengers and crew.

Air India Fleet

Air India continues to invest in the latest aviation technology, and the recent record-breaking order of 470 new aircraft renews our commitment to provide an unforgettable inflight experience. At present, Air India takes to the skies with 128 narrow-body and wide-body Airbus and Boeing aircraft that fly passengers and transport cargo worldwide. Comfortable, modern and efficient, their fleet ensures you reach your destination relaxed and ready to go.

More Than 90 Years of Innovation

Its founder, JRD Tata, was also India's first commercial pilot license-holder. His passion for aviation led to many firsts for the company.

Findings-

Reason of failure of Air India Airlines

The failure of Air India can be attributed to several factors that have plagued the airline over the years:

Financial Mismanagement: Air India has struggled with financial mismanagement, including high operating costs, excessive debt burden, and inefficient use of resources. The airline's financial performance has been consistently poor, leading to significant losses and unsustainable debt levels.

Labor Issues: Air India has faced challenges related to labor disputes, high employee costs, and union issues. Strikes, work stoppages, and industrial unrest have disrupted operations, added to operational costs, and impacted overall efficiency.

Obsolete Fleet: The airline's fleet modernization efforts have been slow, leading to an aging fleet of aircraft with higher maintenance costs, lower fuel efficiency, and reduced competitiveness compared to newer aircraft operated by rival airlines.

Market Competition: Air India has faced intense competition from both domestic and international carriers in a highly competitive market. Rival airlines, particularly low-cost carriers,

have offered competitive fares, better services, and more efficient operations, eroding Air India's market share.

Government Interference: Being a state-owned entity, Air India has been subject to bureaucratic hurdles, political interference, and decision-making challenges that have hindered its ability to adapt to market dynamics, implement strategic reforms, and operate efficiently.

Route Network and Strategy: Air India's route network and strategic decisions have also contributed to its challenges. The airline's route profitability, network optimization, and market positioning have been questioned, leading to inefficiencies and revenue losses on certain routes.

Customer Service and Brand Perception: Customer service issues, inconsistent service quality, and negative brand perception have affected Air India's competitiveness and passenger loyalty. The airline has struggled to meet customer expectations, especially compared to private airlines known for better service standards.

Global Economic Factors: External factors such as global economic downturns, fuel price fluctuations, geopolitical tensions, and the impact of events like the COVID-19 pandemic have further strained Air India's financial health and operational viability.

However, combination of financial challenges, operational inefficiencies, market competition, regulatory constraints, and strategic missteps has contributed to the failure of Air India as a sustainable and competitive airline in the aviation industry.

Reason of Privatization of Air India Airlines

The privatization of Air India is primarily driven by several factors that have led to the government's decision to divest its stake in the airline:

Financial Burden: Air India has been burdened with a high level of debt and persistent financial losses over the years. The government's continued financial support and bailout packages have been unsustainable, leading to the need for privatization to relieve the financial burden on taxpayers and improve the airline's financial health.

Operational Inefficiencies: Air India has faced challenges related to operational inefficiencies, including high operating costs, bureaucratic hurdles, labor issues, and outdated systems. Privatization is seen as a way to introduce efficiency, innovation, and modernization in operations to improve competitiveness and performance.

Market Competition: The aviation industry in India has become increasingly competitive, with the emergence of private airlines offering better services, competitive fares, and efficient operations. Privatizing Air India is viewed as a way to level the playing field, foster competition, and encourage a more dynamic and efficient market environment.

Strategic Focus: Privatization allows Air India to focus on core business strategies, route

optimization, fleet modernization, and customer service improvements without the constraints of government bureaucracy and political interference. Private ownership can enable quicker decision-making and strategic initiatives to enhance the airline's market position.

Investment and Innovation: Private ownership can attract investment, expertise, and innovation from strategic investors, airlines, and industry players. This can lead to technology upgrades, fleet expansion, route network enhancements, and service innovations that benefit passengers and improve the airline's long-term viability.

Government Priorities: The government's focus on economic reforms, fiscal discipline, and divestment of non-core assets aligns with the decision to privatize Air India. The sale of the airline's stake is part of broader economic policies aimed at promoting private sector participation, improving governance, and reducing government intervention in businesses.

Reason of Acquisition of Air India by Tata Group

Tata Group's acquisition of Air India can be attributed to several strategic reasons:

Historical Connection: Tata Group has a deep historical connection to civil aviation in India, as it founded Tata Airlines in 1932, which later became Air India. Acquiring Air India can be seen as a return to Tata's roots in aviation and a continuation of its legacy in the industry.

Strategic Expansion: The acquisition of Air India allows Tata Group to expand its presence and offerings in the aviation sector. It provides access to a well-established airline with a wide route network, international presence, and brand recognition, enhancing Tata's strategic positioning in the aviation market.

Market Leadership: With the acquisition, Tata Group strengthens its position as a major player in India's aviation industry. Air India's market share, customer base, and operational capabilities complement Tata's existing businesses and contribute to its leadership in the sector.

Synergies and Integration: Tata Group can leverage synergies and integration opportunities between Air India and its other businesses, such as Tata Sons' stake in Vistara and AirAsia India. This integration can lead to operational efficiencies, cost savings, and enhanced service offerings for passengers.

Long-term Vision: Tata Group's acquisition of Air India reflects its long-term vision and commitment to investing in key sectors of the Indian economy. The group's expertise, resources, and strategic vision can support Air India's turnaround efforts, revitalizing the airline and ensuring its sustainability in the long run.

Government's Disinvestment Plan: The Indian government's decision to privatize Air India created an opportunity for Tata Group to acquire a strategic asset in the aviation sector. Tata's

successful bid aligns with the government's disinvestment objectives and supports the overall goal of promoting private sector participation and efficiency in the industry.

Post Acquisition Impact on Air India Airlines by Tata Group

The acquisition of Air India by Tata Group is expected to have a significant impact on the airline and the aviation industry in India:

Operational Efficiency: Tata Group's expertise in business management and operations is likely to bring operational efficiencies to Air India. Streamlined processes, improved cost management, and strategic planning can contribute to the airline's financial stability and profitability.

Customer Experience: Tata Group's focus on customer-centricity and service excellence can enhance the overall passenger experience with Air India. Investments in cabin upgrades, onboard amenities, digital services, and customer support can improve customer satisfaction and loyalty.

Fleet Modernization: Tata Group may prioritize fleet modernization initiatives for Air India, including the introduction of fuel-efficient aircraft, cabin enhancements, and maintenance upgrades. A modernized fleet can improve operational performance, reduce costs, and offer a competitive edge in the market.

Network Expansion: Tata Group's extensive network and partnerships in various sectors can facilitate Air India's network expansion and route optimization. Strategic alliances, code-share agreements, and new route launches can enhance connectivity, tap into emerging markets, and attract more passengers.

Brand Revitalization: Tata Group's strong brand reputation and credibility can contribute to the revitalization of Air India's brand image. Marketing strategies, brand positioning, and customer communication initiatives can reposition Air India as a preferred airline choice among travelers.

Technology Integration: Tata Group's capabilities in technology and innovation can drive digital transformation initiatives for Air India. Implementation of advanced IT systems, digital platforms, data analytics, and automation can improve operational efficiency, enhance decision-making, and offer personalized services to passengers.

Employee Engagement: Tata Group's focus on talent development, employee engagement, and organizational culture can benefit Air India's workforce. Training programs, career development opportunities, and a positive work environment can boost employee morale, productivity, and performance.

Market Competitiveness: The acquisition by Tata Group can strengthen Air India's competitiveness in the market. Enhanced services, improved operations, innovative offerings, and strategic marketing can help Air India regain market share, attract more customers, and

compete effectively with other airlines.

Future Prospects of Air India Airlines

The future prospects of Air India post-acquisition by Tata Group are promising, with several opportunities for growth, innovation, and sustainability in the aviation industry. Here are some potential future prospects for Air India under Tata's ownership:

Operational Efficiency: Tata Group's expertise in business management, operational optimization, and cost-efficiency can lead to improved operational performance and financial sustainability for Air India. Streamlined processes, modernized fleet management, and strategic investments in technology can enhance operational efficiency, reduce costs, and improve profitability.

Customer Experience: Tata Group's customer-centric approach, focus on service excellence, and brand reputation can elevate the passenger experience with Air India. Investments in cabin upgrades, onboard amenities, digital services, and personalized offerings can enhance comfort, convenience, and satisfaction for passengers, leading to increased loyalty and repeat business.

Network Expansion: Leveraging Tata Group's extensive network, partnerships, and market insights, Air India can strategically expand its route network, increase connectivity, and tap into new markets. Forming strategic alliances, codeshare agreements, and joint ventures with other airlines can enhance Air India's global reach, offer seamless travel options, and attract a diverse range of passengers.

Technology Integration: Tata Group's capabilities in technology, digital innovation, and data analytics can drive digital transformation initiatives for Air India. Implementing advanced IT systems, digital platforms, AI-driven insights, and automation can optimize operations, enhance decision-making, and deliver personalized experiences for passengers.

Sustainability Initiatives: With Tata Group's focus on sustainability and environmental stewardship, Air India can prioritize green initiatives, eco-friendly practices, and carbon reduction efforts. Investing in sustainable aviation technologies, biofuels, energy-efficient operations, and carbon offset programs can lower environmental impact and align with global sustainability goals.

Market Competitiveness: Tata Group's strategic vision, financial strength, and industry expertise can strengthen Air India's market competitiveness and position in the aviation industry. Implementing innovative strategies, marketing campaigns, and brand positioning initiatives can enhance Air India's market share, revenue growth, and brand value.

Overall, the acquisition by Tata Group presents a transformative opportunity for Air India, with

the potential for growth, innovation, and long-term success in the dynamic and competitive aviation landscape. By leveraging Tata's strengths, expertise, and resources, Air India can navigate challenges, capitalize on opportunities, and emerge as a stronger and more resilient airline in the future.

SUGGESTIONS

Here are some suggestions by which Tata Group of Companies may improve the working efficiency of Air India Airlines-

Operational Efficiency:

- It should Implement cost-saving measures and operational optimizations to reduce expenses and improve profitability.
- It should Streamline processes, workflows, and decision-making to enhance operational efficiency and agility.
- It should Invest in modern fleet management practices, maintenance technologies, and fuel-efficient aircraft to lower operating costs.

Customer Experience:

- It should Focus on enhancing the passenger experience with improved services, amenities, and personalized offerings.
- It should Invest in cabin upgrades, in-flight entertainment, Wi-Fi connectivity, and onboard amenities to enhance comfort and convenience for passengers.
- It should Implement a customer-centric approach with responsive customer service, effective complaint resolution mechanisms, and loyalty programs to retain and attract customers.

Network Expansion:

- It should Strategically expand Air India's route network by identifying profitable routes, increasing frequency on popular routes, and tapping into new markets.
- It should Form strategic partnerships, codeshare agreements, and alliances with other airlines to expand connectivity and offer seamless travel options for passengers.

Brand Revitalization:

- It should Develop a comprehensive branding strategy to revitalize Air India's brand image, positioning it as a premium and preferred airline.
- It should Launch marketing campaigns, promotions, and initiatives to showcase Air India's strengths, unique offerings, and commitment to customer satisfaction.

- It should Engage in community initiatives, sponsorships, and partnerships to enhance brand visibility and reputation.

Employee Engagement:

- It should Invest in employee training, development programs, and performance incentives to motivate and engage Air India's workforce.
- It should Foster a positive work culture, open communication channels, and employee empowerment initiatives to boost morale and productivity.
- It should Recognize and reward employee contributions, innovation, and excellence to create a motivated and high-performing team.

Digital Transformation:

- It should Embrace digital technologies and IT solutions to streamline operations, enhance customer interactions, and improve data-driven decision-making.
- It should Implement advanced analytics, predictive modeling, and AI-driven insights to optimize route planning, pricing strategies, and revenue management.
- It should Enhance online booking platforms, mobile apps, and digital touchpoints to offer a seamless and convenient booking experience for passengers.

Sustainability Initiatives:

- It should Implement sustainable aviation practices, eco-friendly initiatives, and carbon offset programs to reduce environmental impact and promote sustainability.
- It should Invest in green technologies, biofuels, and energy-efficient operations to lower carbon emissions and contribute to environmental stewardship.
- By focusing on these areas and implementing strategic initiatives, Tata Group can enhance Air India's operational performance, customer satisfaction, market competitiveness, and overall success in the aviation industry.

CONCLUSION

Following its acquisition by Tata Group, Air India's future outlook appears promising, marked by opportunities for growth, innovation, and sustainability in the aviation sector. Potential prospects include enhanced operational efficiency, improved customer experience, expanded route networks, technological integration, sustainability initiatives, and increased market competitiveness. These initiatives, under Tata's ownership, are poised to position Air India as a stronger and more competitive player in the industry. Tata Group's acquisition of Air India represents a strategic move to strengthen its presence in the aviation sector, capitalize on market



opportunities, and contribute to the growth and development of India's aviation industry. Tata Group's post-acquisition impact on Air India is expected to bring positive changes, revitalization, and growth opportunities for the airline, contributing to the overall development and resilience of India's aviation industry.

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