

proposed Tata/SITA tie-up was approved by India's influential Foreign Investment Promotion Board (FIPB). Unfortunately for Tata and SIA, the FIPB decision was not endorsed at a crucial meeting of the CCFI, which met to announce the new aviation policy on 24 January.

TATA/SIA FURY

In an ambiguously worded statement, the CCFI says: "The committee has decided that the [Tata/SIA] proposal be re-examined in the light of the approved policy framework for domestic air-transport services and brought back before the committee." In short, a decision on the project was postponed — yet again — much to the fury of Tata and SIA executives.

In Delhi, intense behind-the-scenes lobbying is under way as reformist industry minister Murasoli Maran tries to broker a compromise between Ibrahim and the Tata group to allow the project to go ahead. Ratan Tata, head of the Tata empire, met Ibrahim on 5 February, but details have not been released. India's reformist finance minister, P Chidambaram, has added his weight to a campaign putting pressure on the civil-aviation ministry to soften its hawkish stance on foreign equity in airlines. Chidambaram argues that blocking foreign entry will starve the sector of technology and resources.

The yet-to-be named proposed Tata/SIA airline was hoping to start operations with seven aircraft, rising to 19 by 2000. Opposition to the proposal has been fierce, not least from private domestic airlines led by Jet Airways and the state-run Indian Airlines, which accuse it of muscling in on a market which, by 2000, is expected to double from its existing level of 12 million passengers a year. Both airlines have the ear of civil-aviation minister Ibrahim. Jet Airways and Indian Airlines also enjoy wide-ranging cross-party support, not just from the Communist and Socialist constituents of the 13-party United Front coalition, but also from the opposition Hindu nationalist BJP, the general secretary of which, Pramod Mahajan, opposes foreign entry in the aviation sector.

All politicians cite "patriotic" reasons for their opposition to the Tata/SIA alliance. One Communist member of parliament, Somnath Chatterjee, says that to allow the proposal to go ahead would "...seriously affect the viability and functioning of Indian Airlines which has



SIA: waiting for Tata approval

improved in the recent past". Rusi Mody, former chairman of Air India and Indian Airlines, ridicules such comments. "The idea that the people of this country should be deprived of excellence in the civil-aviation field merely to protect the interest of the domestic airlines is disgraceful," he says.

Indian Airlines has improved since deregulation, with the proportion of its on-time flights having increased to 70% from 64%, while passenger-load factor is up to 80% from 60%.

More worryingly for India, Singapore is reported to be furious at the delay in implementing the Tata/SIA project, and industry observers fear that the city-state may cancel some of the massive investment commitments it has made to improve India's airport and air-traffic-control infrastructure. SIA chairman J Y Pillai and its managing director, CK Chong, are known to be powerful voices in Singapore. "India needs \$2-3 billion investment a year in the aviation sector," says Northern Aviation's Jung. "That will only come in if a cogent and liberal aviation policy is put in place," he adds.

Foreign airlines in India await developments. British Airways, Lufthansa, Malaysia Airlines and United Airlines have all suspended negotiations with prospective local partners, pending Government clarification of its position.

By contrast, the new Government policy is

generous to indigenous Indian companies. They will be allowed unrestricted access to the aviation industry, and the Government has also conceded a long-standing demand of private operators which used to pay three times as much as Indian Airlines for aviation turbine fuel (ATF). Private airlines can now buy their ATF at the same subsidised rate as Indian Airlines. Private airlines will be permitted to import larger aircraft into their fleets without seeking Government permission, clearing the way for Jet Airways to import ten new Boeing 737s. The minimum required fleet strength of any domestic airline has been raised from three to five aircraft, while the equity base for companies operating aircraft with 50 seats or fewer has been raised from \$860,000 to \$1.4 million. For those with aircraft of more than 50 seats, it has been raised from \$3 million to \$14 million.

Some measures, however, have come too late. India's commercial-aviation sector is in the middle of a thorough shake-out. Many airlines, faced with crippling fuel and maintenance bills, low passenger fares and Government laws which force them to fly to unprofitable parts of the country, have been forced to close down or suspend operations. Of the dozen or so private airlines which began operations when the "open-skies" policy was introduced in 1992, only three remain — Jet Airways, Sahara and Skyline NEPC. First to go was Damania Airways, with debts of \$20 million. Next was UB Air, followed by Raj Air, and East West. A host of smaller airlines also went to the wall.

MODILUFT GROUNDED

Modiluft, launched in 1993 with help from Lufthansa, is now grounded. The German airline provided three leased Boeing 737-200s, extensive aircraft maintenance support and crew training. In 1995, Lufthansa signed a management agreement with Modiluft, and managerial staff from the German flag carrier were seconded to the Indian airline. On 29 May, 1996, Lufthansa terminated its agreements with Modiluft, citing breach of contract and non-payment of dues of DM3 million (\$1.8 million).

Meanwhile, during 1996 the Indian civil-aviation authority gave approval for Lufthansa's Indian cargo division to begin operations. Lufthansa holds a 40% share in the New Delhi-based Hinduja Cargo Services joint venture, with the other 60% held by UK-based Hinduja Group. It flies to Lufthansa's cargo hub at Sharjah, United Arab Emirates.

Modiluft still has ambitions to relaunch. Talks were under way with Malaysia Airlines, until the new-policy announcement. On 23 January, a day before the cabinet announced the aviation policy, Modiluft was cleared to raise \$60 million via a US global depository receipt issue. The airline has applied for a no-objection certificate from the Government for the import of seven 737s, but analysts doubt the long-term futures of airlines such as Modiluft if they do not link with foreign partners.



Deregulation in India has forced Indian Airlines to improve performance