

“INDIAN CIVIL AVIATION SECTOR: FUTURE DIRECTIONS”

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CONFERENCE REPORT

By

Dr. Prashant Gautam, Lecturer, IITTM

In the last five years a virtual revolution has been noticed in Indian aviation sector, with international traffic having doubled and domestic travel tripled since 2002-03. Apart from the traffic growth, the structure of India's domestic airline market has changed dramatically in the last few years, from just three airlines to a much more fragmented industry with more than ten carriers in early 2007. But the things never remain same and it is the fact that the aviation industry has also been the main target of the recent economic meltdown. After 5 years of unprecedented expansion, 2008 has seen a contraction in traffic. At a time when fuel prices are pushing the break-even load factor higher, carriers have reduced capacity by 10-20% in domestic markets. This environment is expected to result in combined airline industry losses of approximately USD 1.5 billion for the 12 months period ending in 31st March 2009. Apart from fuel prices, the situation in India is exacerbated by high taxation, the cost for operating new airports.

Latest developments in the Indian aviation industry are indicators that bankruptcy is around the corner. The aviation scenario is compounded by lots of factors like global economic slowdown and local cost issues. The situation is aggravated by zero commissions, because even the extended marketing arm of travel agents is dead. Further the airline industry is cyclic and this is the nadir of the cycle. There will be an upturn at some point of time, no doubt, but for the present if airlines don't get out of the wishes cycle of poverty and into the virtual cycle of prosperity, all simply delaying the inevitable bankruptcy.

THE CONFERENCE

Indian Institute of Tourism and Travel Management (IITTM) successfully organized a National Conference on 'Indian Civil Aviation Sector: Future Directions' during 17-18 January 2009. Mr. Sanjay Kothari, Addl. Sec. -Tourism, Govt. of India, inaugurated the conference. Conference witnessed a gathering of more than 140 delegates from all over the country. It was intended that the fruitful discussions would provide insight for academicians and developers to evaluate the importance of this industry. Overview examples of successful practices hopefully will lay the foundation of a better scenario, especially in an organized manner in Indian civil aviation sector.

Speaking on Indian civil aviation sector, Chief Guest Mr. Kothari said that civil aviation forms a very important segment in boosting trade and commerce and enhancing overall competitiveness. Travel by air was becoming increasingly popular and nearly 30% of India's foreign trade is being handled by airports. The domestic air traffic is expected to grow up 180 million and international traffic to 50 million passengers by 2020. He referred to the spiralling fuel prices in 2008 has forced the airlines to hike the tariff. This had resulted in reduction in the number of tourists. However, the financial health of airlines has started improving now as fuel prices have come down since September last year. The Mumbai terror attack has also affected the traffic to some extent. These attacks have left a lasting scar on an emerging economy already under pressure from a global recession. The aviation industry has suffered a major setback due to such attacks.

Prof. Sitikantha Mishra, Conference Patron and Director, IITTM highlighted the present scenario of global tourism in wake of recession and terror events. He added that the worldwide recession, terrorism and intolerance of men towards his fellow beings have had a negative effect on tourism. But, he said that just as every dark cloud has a silver lining so does every meltdown has a cleansing effect. Talking about the future of LCC (Low Cost Carriers) in India, he said that we have to opt for newer airports, which may bring airfare under control.

Prof. Sandeep Kulshreshtha, Professor IITTM and Conference Chairman spoke about the necessity of conducting this conference. He mentioned that the recent economic meltdown had negatively impacted the aviation and travel/tourism industry which are still coping with some of the problems arising out of this meltdown. It was therefore felt that the Indian civil aviation sector needed future directions and Industry-Institute partnership.

Prof. Nimit Chowdhary, Organising secretary of the conference mentioned the importance of the thematic area and thanked all the supporters Indian Tourism Congress, AICTE, MP Tourism, and APETIT on their

commendable help in providing an opportunity to launch such a forum to discuss some serious issues for the betterment of the industry.

Dr. Chandan Mitra, MP Rajya Sabha and noted Journalist was the chief guest for the valedictory function on 18th January 2009. Dr. Mitra that India as a destination has not been marketed properly. Too much emphasis has been laid on attracting high-end tourists who stay in five star deluxe hotels. Room tariffs in five star hotels in India are among the highest in the world. On the other hand India is also very attractive for backpackers who are not big revenue generators. A big chunk of tourist fall into the middle income bracket that have been ignored, both in case of international and domestic tourists. Not much infrastructure catering to the needs of this large group has been developed and it is only now that we are trying to catch up while other countries have already cornered this niche segment. There are many obstacles in the path of development like terrorism, people think that India is not a safe destination frequently resulting in the issuance of travel advisories by foreign countries warning their citizens from travelling to India, cancellation of tickets, there is global meltdown, people are losing their jobs, banks are collapsing. However, he said that he anticipates that this situation will not continue in the long run, hence he does not treats the prevailing economic condition as a meltdown but rather as a slowdown.

THE DISCUSSIONS

The conference discussions moved around various themes like recessions and its impact on the aviation sector, the concept of Low cost airlines (LCC), emerging trends like Greenfield airports, manpower issues, strategic alliances, consumer expectations and behaviours etc.

The emergence of low cost carriers (LCC's) has made the travel within reach of middle class. Low costs and better connectivity have further fuelled the travel by air. Still, the scenario of LCC in India in comparison to other developing and developed countries is very weak on several fronts. There is a varied difference in air fares, services, carriers, baggage handling, etc, between LCC carriers in India and the rest of world.

Conference discussions highlighted the development of Greenfield airports as a solution to the problem related to infrastructure.

It was also noted that airlines must understand that customer satisfaction is what guarantees the future of these companies and it is achievable by an adoption of a comparative tool to minimize discrepancies between their services and passengers needs.

Conference discussions also take a note of strategic alliance determinants affecting the performance of airline industry in India and revealed that performance is positively associated with the set of strategic alliance criteria, that is constituted from experience in technological application, access to technology, potentiality for new technological development, access to distribution channels,

past reputation, CRS, volume of sales, firm size, ability to add value, ability to offer competitive product or service, access to links with major tourism & hospitality suppliers.

Talking about the new trends in aviation sector it is felt that airlines have been now to go 100% online so as to reduce cost. The online travel agents or OTA as called as, are luring customers for the best buy. Lot of Indian Travel Portals is in to strategic alliances with almost all domestic airlines in one way or other. OTA's like Make my trip, Clear trip, Yaatra, Travelguru, Ezeego are in to alliances. The airlines own websites selling tickets to 50 million internet users also pose a challenge to OTA.

CONFERENCE CONCLUSIONS

This conference was a significant contribution towards the future development and for planning purposes not only for aviation and tourism industry but also for other tourism related activities and those who are interested in tourism research. Some of the pin pointed conclusions of the conference are as follows

Future Research: The conference threw some suggestions for further research on subjects such as purchase of meals, serving of meals in aircrafts, future of tour operators due to online bookings becoming popular and tourist movements, both domestic and international, during the commonwealth games in 2010.

Lowering down the cost: One is the survival of our industry through the present crisis and economic downturn, worsened by the threat of a continued slump in demand. Even experts are of the view that even lowering the prices won't be helpful in increasing the demand. The industry is now picking up the bill for significantly increased costs, which heightens this challenge beyond any, faced in the past.

Initial incentives: The increase in fuel prices alone had already put many enterprises out of business and threatens even the most well established player around the world. This problem has been so acute, that it obliged world leaders to rewrite policies previously set in stone. We had witnessed that once US President Bush came to the fore with a multi-billion-dollar package to save the US carriers. This sent an important message to other governments worldwide. President Bush demonstrated that the travel and tourism industry and in particular air transport is a key driver of the health and vitality of the US economy. This fact is now well recognized for most every economy.

Terrorism and challenge of reviving customer confidence and heightened security: One more aspect is addressing the psychological damage inflicted on our customers and the need to help restore basic consumer confidence in wake of increased terror events. The industry needs to adjust its services and structural infrastructure and operations to meet the need for heightened security in a tough and scary new world. A key component of consumer confidence lies in the perceived safety and security of travel and tourism. The tightening of

security checks improves this situation even more. But travellers are truly fearful at this time and increased security is their prime concern. It is their uncertainty over travel and tourism safety and security, which prevents them from travelling. The industry and many governments have responded with great vigour for increased security. Unfortunately, much of this has not been effectively communicated to the travelling public. Instead, the traveller sees lengthy check-in procedures and added inconvenience to their journeys. In many instances, they see a discrepancy in the level of security measures taken by various airports. So, in some airports, they find thorough checks being carried out, whereas in other airports they see gaps in security, which dampen their confidence in the global travel and tourism network. The entire safety and security infrastructure needs to be rethought and rebuilt. This is a brand new world.

Manpower retrenchment: Further on the one hand, it is extremely disconcerting to see well established companies having to lay off large numbers of hardworking, professional and dedicated colleagues. On the other hand, our industry has never received such exposure and attention at top government levels, major news media and the general public. Conference convey one message today, it is that all stakeholders have to join forces and work in unison to refocus and re-channel this momentum into a positive force, and use it towards our industry's prosperity.

FINAL WORDS

There is no denying the fact that it's been a roller coaster ride for the civil aviation sector. It has witnessed an era of tremendous growth. But this recent turbulence in international economic arena is making aviation industry to experience a downfall. Slow economic growth, high cost structures have contributed to the meltdown in the global aviation. The challenges faced by the aviation and tourism industry today are unprecedented. There is no real example to use, and some major challenges to contend with. The role of aviation industry in tourism cannot be undermined. Hence it is the need of the hour to plan for this industry in a manner that must have enough flexibility to face such turbulence.