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Focus on India

Seeking Gold

India's booming economy benefits airlines around the world

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OPEN *for Business*

By Billie Jones | *Ascend* Contributor

Relaxed regulations in India open opportunities for the region's airlines to expand their reach through alliances and partnerships.

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Photo by SK Desai /Wikipedia

2005 was a liberating year for aviation in India.

Liberalized business practices in the second most populous country in the world are already creating unprecedented expansion in India's civil aviation, including opportunities for carriers to integrate with the worldwide airline network. India is rapidly liberalizing its business practices with bilateral agreements for economic trade. Information technology was the first sector to take off. The telecom sector, which the Indian government deregulated a few years ago, was the second. The Indian civil aviation sector promises to be a third "thrust" sector of the Indian economy, largely because of the steps taken to open it to competition.

In 2005, new air transport accords replaced antiquated agreements that placed restrictions on services between countries. These restrictions included limits on cities that could be served and pricing. An open-skies agreement with the United States, replacing agreements signed in 1956, provides for open routes, capacity, frequencies, designations and pricing, as well as opportunities for cooperative marketing arrangements, including codesharing.

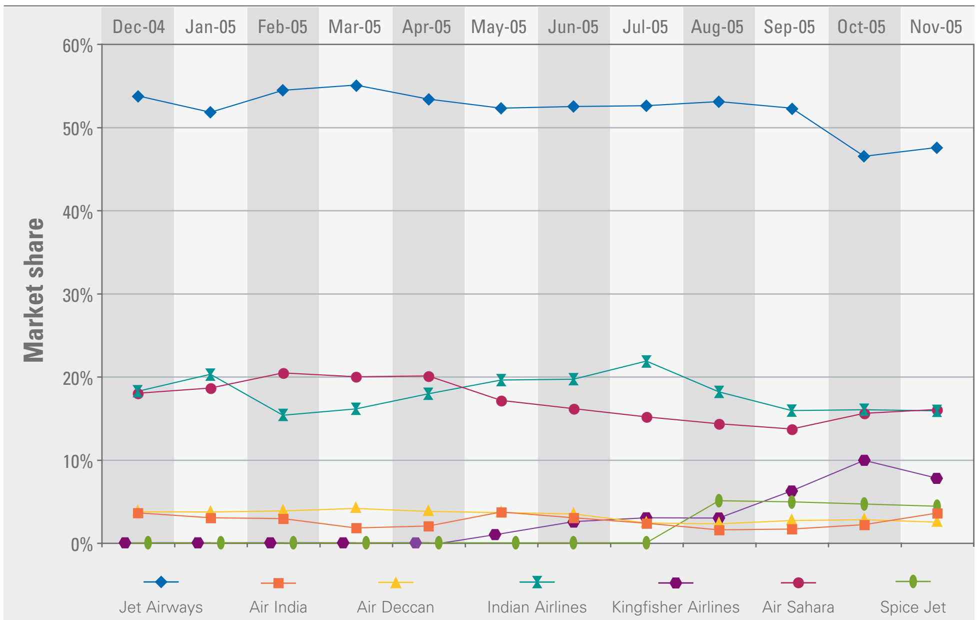
This liberalization of aviation business practices has created a huge expansion of market demand. International and domestic carriers are already taking advantage of these new opportunities. India's domestic markets make up 60 percent of its market demand. Domestic low-cost carriers are growing to satisfy this increase. New market entrants Kingfisher Airlines and SpiceJet have already grabbed market share and show no sign of slowing down.

Internationally, the new bilateral agreements have allowed India's international departing seats to rise by 16 percent year over year (average six months from June through November) while international passenger demand for the same period has risen by 14 percent.

The new accord with the United States is already having a multiplier effect by opening up more capacity for business people and tourists from the United States to visit India and more Indians to visit the United States. Carriers have already reacted to the new rules. For example, Continental Airlines and American Airlines began non-stop service between New Delhi, India, and U.S. destinations late last year. Delta Air Lines expanded service to India, adding Chennai. Air India added Chicago, Illinois, and Los Angeles, California, to its routes, and Jet Airways and Air Sahara — which has been purchased by Jet Airways — have plans to start service to the United States through Europe.

Last year, four domestic low-cost carriers began operations and many more are on the horizon. The liberalized India marketplace could also lead to acquisitions and mergers that would further change the industry. The Jet Airways/Air Sahara merger, for example, positions the combined carrier in both domestic and international markets. International carriers, such as Jetstar Asia, started international low-cost flights from Singapore to Kolkata and Bangalore, India, while British Airways increased weekly flights from 19 to 35, and Air France has added service into Bangalore. In 2005, Air India added several international routes, for example, London Heathrow, Birmingham and Frankfurt in Europe; Seoul,

Domestic India Markets Share Trends



Jet Airways continues to be India's domestic leader in market share although the liberalization of the market has lead to the launch of new carriers that have cut into its lead. New entrants such as SpiceJet and Kingfisher Airlines have combined to quickly grab more than 10 percent of the market in the last year.

Korea, and Kuala Lumpur, Malaysia, in Asia; and Toronto, Canada.

This liberalization of business practices has opened the door for increasing alliance memberships and codeshare opportunities as well. Alliance partnerships have the potential of shifting positive market share. Air India has codeshares with Swiss International Air Lines, Austrian Airlines, Asiana Airlines, Singapore Airlines, Air France, Aeroflot Russian Airlines, Emirates, Kuwait Airways, Air Mauritius, Malaysia Airlines, Lufthansa German Airlines, SilkAir, Turkish Airlines and Thai Airways. Indian Airlines has limited codeshares with Gulf Air and SriLankan Airlines.

Air Sahara started a codeshare agreement with American Airlines in November.

"We are looking at a global footprint spanning Europe, the United States and Southeast Asia," said Air Sahara President Ronojoy Dutta.

The two carriers have created a seamless connection from 25 major cities in India to 125 cities in the United States, through their Delhi and Chicago hubs. By combining strategic schedule adjustments in top connecting markets and increased screen presence, Air Sahara will increase load factors and market share.

Air Sahara's 23 connecting flights from New Delhi to destinations across India will carry American Airlines flight numbers, which will provide greater choice of connections between the two countries. The agreement would not only lead to both airlines jointly selling each others' tickets on their India-U.S. network, but would also place each others' flight codes in their respective services on the sector. Air Sahara is also hinting at the possibility of joining a global airline alliance.

How will Indian carriers leverage these factors to their advantage? The key to managing rapid change is the effective use of airline best practices and technology. The airline industry has honed its planning and scheduling practices through the use of optimization models. Airline best practices quantify market opportunities, measure the impact of competitors' changes and enable carriers to respond quickly to their rapidly changing environment. Through the integrated use of schedule management and operations tools, airlines optimize their origins and destinations and maintain their optimized strategy through day of operation. As airline networks grow, scheduling, pricing and revenue management activities become more complex. Adding destinations to a network increases the potential O&Ds for sale geometrically, making it much more difficult to keep track of competitive changes. The potential exists for low-fare local passengers and international connecting passengers competing for the same inventory on a flight. To realize the full potential of large, highly diversified networks, airlines need to focus on managing schedules, fares and inventory across the network rather than on a flight-by-flight basis.

Photo by Mohammed Yousuf/The Hindu

Liberalization of business practices in the aviation arena has presented opportunities for an increase in alliance memberships and codeshare agreements, which have potential to drive up market share. Indian Airlines is one of many carriers in India taking advantage of these relationships, with codeshare agreements with Gulf Air and Sri Lankan Airlines.

State-of-the-art technology supports airlines' strategic planning and enables them to carry those plans through to day of operation. The *Sabre Airline Solutions®* business also has a variety of tools to help airlines better manage their networks. The *Sabre® AirFlite™ Planning and Scheduling Suite* seamlessly integrates core flight scheduling functions such as scheduling, profitability forecasting and analysis, fleet assignment, and slot management with shared interfaces and database information. This integration improves forecast performance and accuracy and reduces turnaround time, resulting in a flexible, stable and efficient tool.

The integration of scheduling and the *Sabre® AirOps™ Suite* supports dynamic control of schedule changes to ensure optimal schedule performance. An airline must continually decide which markets to serve and how often, when to fly and which type of aircraft to assign to a specific route. It also needs to track slot rights as well as evaluate the profitability of various scheduling alternatives and codeshare opportunities to stay ahead of the competition. When an airline environment is changing rapidly with new entrants, codeshares, alliances and mergers and best practices, innovative tools provide critical advantages over competitors. The *AirFlite* suite supports all planning and scheduling functions and is designed to generate significant revenue and reduce operating costs.

In addition, the *Sabre® Fares Management Systems* monitor both domestic and international pricing activity and provide pricing analysts the tools to identify and analyze pricing changes. From a revenue management perspective, the *Sabre® AirMax® Revenue Manager* has the capability to forecast demand at the O&D level and create optimal inventory levels for the entire network. The *Sabre® AirMax® Availability Processor System* supplements an airline's reservations system to evaluate reservations requests by the network value of the O&D city pair rather than on a leg-by-leg basis. The *AirOps* suite ensures these plans are carried out through day of operation.

Liberalization and change creates opportunities to penetrate new markets and gain market share in existing ones. Advanced technology and business practices enable airlines to manage this opportunity. The right tools managed properly enable them to visualize their strategies as well as manage their schedules, markets, fares and inventory and react quickly in the rapidly changing worldwide landscape of airline service.

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