



INFRASTRUCTURE MUST KEEP PACE WITH ADDITIONS TO INDIA'S AIRCRAFT FLEET

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India is set to become the third-largest buyer of planes in the world, which could push its airlines into larger losses, an aviation consultancy has said.

The number of aircraft on order by Indian carriers is expected to soon exceed 1,000 and only the United States and China have more orders on their books, research by Capa India, an aviation advisory firm, shows.

"Low-cost carriers account for 85 per cent of India's current order book of 880 aircraft, but in the coming weeks, two of its full service airlines will add to the tally," said Capa. Carriers in the market are bracing themselves for future growth with these hefty orders. Only a very tiny single-digit percentage of the population travel by air currently, but more Indians are expected to start flying as incomes rise.

Despite this, there could be turbulence ahead, the firm warns.

"Unprecedented expansion will place immense pressure on the aviation system," Capa said. "The

industry currently appears to be under-estimating the challenges ahead. Aircraft induction on this scale will require massive infrastructure development, skilled resources and aircraft financing at a pace that has not been seen before in India."

The aviation market will not be able "to soak up" the additional planes without resorting to discounted tickets, according to Capa.

It added that "overcapacity will push airlines towards reduced profits and larger losses in [the financial year to March 2018]".

Capa's figures reveal that losses totalled 20.9 billion rupees (Dh1.19bn) in the last financial year, April 2016 to March 2017, while it projects that losses could reach 25bn to 30bn rupees in the current financial year.

The report stated that India's ratio of plane on order for every aircraft in service is the highest of any major aviation market.

Of the 1,080 planes on order, 400 are expected to be delivered in the next five years.

Qatar Airways earlier this year announced that it is keen to set up an airline in India, which would only add to the supply and competition.

Meanwhile, hiring pilots in India is also set to become a growing problem.

"Poaching of pilots is becoming a serious challenge, and the regulator is likely to increase the notice period for pilots to exit from six to 12 months," according to the report.

"The strategy of employing expat captains, on higher salaries than locals, is not only an expensive solution – it is also creating resentment amongst Indian pilots and could evolve into a more serious industrial relations issue."

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