



# Yesterday's Maharajah in 'Mayday' mode

The dismal story of how Air India, once the country's pride, has been virtually grounded by 'maximum government, minimum governance'

ASHWINI PHADNIS

It seems entirely appropriate today — and not in a good way — that Air India's icon is the Maharajah. That's because the story of Air India (and, indeed, of Indian aviation) is much like the story of India's erstwhile princely rulers. Both had their days of glory, but over time, both have been reduced to being mere shadows of their former selves.

Indian aviation took off in 1932 when Tata Sons was permitted to operate a mail service linking Karachi, Ahmedabad, Bombay, Bellary and Madras. Sixteen years later, in 1948, a brand new Lockheed Constellation L-749 made its first Mumbai-Geneva-London flight for Air India International — with the legendary JRD Tata at the helm.

For many, JRD's decision to launch the service on this sector seemed unwise. The India-UK route was dominated by established players such as Imperial Airways, KLM and Air France, and many thought it didn't make commercial sense to take them on.

But it was a decision that paved the way for the airline's success. For JRD, only the best would do. This meant getting the Constellation L-749, which had wowed the world by flying non-stop coast-to-coast in the US.

## Flying in a high orbit

JRD did much to enhance Tata Airlines' visibility internationally: he opened offices in the best locations abroad; he also invested in getting the best pilots, co-pilots and navigators from India and abroad on board; and in 1948 a person from TWA flew down to Bombay to open an airhostess training academy. Airhostesses on Tata Airlines (and, later, Air India) came to be known not only for their good looks but also for their grace and grooming. There are many who remember a Maureen, an Air India airhostess: she later married industrialist Nusli Wadia...

JRD's commitment continued even after Tata Airlines was nationalised in 1953; at Prime Minister Jawaharlal Nehru's request, he stayed on till he was removed in 1978.

Establishing Air India's product differentiation seemed critical in the early years. A former AI staff recalls: "The Rajasthani *jharoka* (arches) motif made the aircraft seem like a flying palace."

Under JRD, the airline established itself as a keen competitor. In 1970, when Air India inducted the Boeing 707, it became the first Asian airline to have an all-jet fleet.

Just as important, the emphasis was on running a



Those were the days (Clockwise from above) A jaunty JRD Tata with Air India crew on an airport apron; an AI jet in flight; cabin crew in ethnic wear in 1971 COURTESY: TATA CENTRAL ARCHIVES

airline for close to four decades, notes that the initial success owed to JRD's insistence on acquiring the latest and best equipment.



that Air India started running losses, which it does to this day. It is expected to report a net







commercially viable airline. "Between 1948 and 2001 — that is, in 52 years — the airline turned a profit in all but a handful of years," recalls someone who was associated with Air India for over three decades and retired in the late 1990s.

A former Air India staffer, who served the

But then, the airline hit a rough air pocket. The reasons for the descent can be found in a letter that JRD Tata wrote in 1981 to the then Chairman Raghu Raj. JRD, who was then on the Air India board, said: "In the last few months I have made four long-range flights on Swissair, Lufthansa and BA and three on Air India. The point that struck me and worries me most is the continuing fact that, whereas we hardly carry any first class passengers, their first class cabins are full, or nearly full, most of the times, despite the fact that their first class cabins have more seats than ours. I have consistently pointed out the importance of the policy which we have wrongly followed in recent years of concentrating all our sales efforts on excursion and other promotional fares, the yield from which is less than one-fifth of that of first class."

The turn of the century marked an accentuation of the Maharajah's decline. In 2001, Michael Mascarenhas, the last



of the professional Managing Directors of Air India who had risen from the ranks, retired. Since then, this post has been taken over by bureaucrats. "With this, the decision-making process became more extended," says a former Air India official.

Politics increasingly interfered with the management of the airline, and even due processes were caught up in red tape. And it began to tell in everything from acquisitions to service. In December 2005, when Air India signed a deal to acquire 68 Boeing aircraft, it was the first time since the mid-1990s that the airline had gone in for any acquisition.

"Once the babus took over, getting the latest and the best aircraft meant the lowest quotation," says a former Air India staffer who was associated with the airline for four decades.

Adds a former employee, "Everything was referred to Delhi, whether it was aircraft investments, route operations or personnel. A Parliamentary Committees would be set up to review Air India's operations. This meant foreign and domestic junkets for MPs and bureaucrats, as also gifts and entertainment."

### Merger gone wrong

And then came the merger with Indian Airlines in 2007. The decision to merge the two airlines, ostensibly intended to strengthen them to take on competition, proved an unmitigated disaster.

The final straw was perhaps the granting of bilaterals to other countries, especially those from the Gulf region, which increased their flights into and from India manifold.

The cumulative result of all this was

loss of ₹2,636 crore in the previous fiscal.

Worse, it survives solely on government bailouts. In April 2013, the Manmohan Singh government announced a bailout package aimed at pulling the airline out of its financial mess and putting it on the road to profitability.

It announced that it would infuse additional funds into the airline to the tune of ₹30,000 crore till 2020, hive off the engineering services and ground-handling business, and go ahead with the induction of 27 new Boeing 787 Dreamliners.

The debt-laden carrier has outstanding loans and dues worth ₹67,520 crore, of which ₹21,200 crore is working capital loan, ₹22,000 crore long-term loan on fleet acquisition, ₹4,600 crore vendor dues besides an accumulated loss of ₹20,320 crore.

That's quite a crashlanding for an airline that was once the pride of India.

**Tomorrow: India Cements**

### Air India: Then and Now

	1959-60	2005-06	2014-15	2015-16*
Operating revenue	12.58	8,834	19,781	NA
Operating profit	0.18	(400)	(2,171)	100
Net surplus after tax	0.27	14.94	(5,547)	(2,600)

\*estimated

Financial position	Debt about ₹50,000 cr	Accumulated losses about ₹28,000 cr	Government equity infusion committed in 2012 ₹30,000 cr of which ₹22,000 cr already invested
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# 'We'll restore Air India to its glory'

Air India Chairman and Managing Director **Ashwani Lohani** recalls his first flight with the airline and his plans to get it back to its glory. Excerpts from an e-mail interview with **Ashwini Phadnis**:

**What are your earliest memories of flying Air India?**  
I think it was in 1991. Travelling to Frankfurt on a 747 was an experience I still cherish.

**What were your first thoughts when you were appointed CMD?**  
I felt privileged. At the same time, I was aware of the challenges, given the financial burdens, HR issues and the lack of a roadmap. However, being aware of Air India's illustrious past, its strengths and the potential of Air Indians, I was confident that we had the ammunition to achieve excellence, and restore the old glory.

**AI was earlier about luxury travel. How would you like to shape it: as an airline or the**

**masses, for the classes or a profitable one?**  
Flying was once limited to the privileged, but it is becoming a part of life for others too. The government has taken steps to make flying affordable, accessible and comfortable for the common man. With the thrust on regional connectivity, suggested capping of fares and a slew of other pro-passenger measures, air travel is now for everybody. Air India has also structured its fares and operations to suit the budget of the common man. At the same time, we are the flying ambassadors of the country and we will give

the finest luxuries to our premium passengers in the first or business class. So, Air India should be an airline with the ideal mix of luxury travel and budget travel.

**What are your plans for the airline?**  
We plan to induct 100 planes in the next four years. We will expand globally, adding new destinations like Washington, Madrid, Nairobi, Copenhagen and cities in South Africa in the coming months. In the domestic sector, we will strengthen regional connectivity through our Connect India Mission wherein we are starting or re-viving routes in Tier 2 and 3 cities with Alliance Air, making air travel more accessible. These smaller cities have no connectivity and we want to get the first-mover advantage.

**What accounts for AI's poor shape and what have you done about it?**  
The biggest reason for the downfall of the airline was the merger of the

erstwhile Indian Airlines and Air India. Both carriers are total opposites of each other: they had different work cultures, areas of operations, working conditions, entitlements and so on. The merger led to massive discontent and complicated HR issues. The merger was done without any objective in mind. The subsequent demerger of the ground-handling and engineering units complicated matters even further. The huge number of aircraft that Air India was asked to buy also didn't help.

With operational profitability having been achieved in 2015-16, we aim to post net profits by 2018-19, three years ahead of the turnaround plan targets. Yet, there is a debt burden of over ₹50,000 crore that needs servicing. The ban on recruitments is also a concern. While some debt restructuring will be needed, we do not intend to seek any additional financial help from the government beyond the equity infusion already sanctioned. We are also committed to improving Air India.

**"The biggest reason for the downfall of Air India was the merger with Indian Airlines, which was done without any objective. It led to massive discontent."**

**ASHWANI LOHANI**  
Chairman and Managing Director

# The Brand Ambassador

The Maharajah mascot has endeared himself widely

The portly Maharajah, long seen as the human face of Air India's service fit for royalty, first made his appearance on an in-flight memo pad in the mid-1940s. He was conceived by SK (Bobby) Kooka, who was then Commercial Director with Air India, and sketched by Umesh Rao, an artist at J Walter Thompson in Bombay.

The Maharajah became part of the airline's campaign to distinguish itself from its peer set in the 1950s.

He came dressed in various garbs, but his trademark moustache and his roly-poly stature remained — until last year, when he lost of a bit of his flab.

Kooka once said, "We can call him the Maharajah for want of a better description. But his blood isn't blue. He may look like royalty, but he isn't royal. He is capable of entertaining the Queen of England and splitting a beer with her butler. He is a man of many parts: lover boy, sumo wrestler, pavement

artist, vendor of naughty post cards, Capuchin monk, Arab, Chinese..."

### Memorable service

In the years when JRD Tata headed Tata Airlines (which later became Air India), there are many who remember his keen eye for detail. Tim Clark, currently President of Dubai-based Emirates, recalls how travelling as a child on Air India in the 1960s, he would be pampered with sweets, colas and other goodies.

That legacy of royal service lived on for years after JRD's time in the airline. Christian Klick, vice-president, Corporate at Star Alliance, recalls how after a Frankfurt-London Air India flight in 1980, his parents were floored. Klick, who was then working with Lufthansa in London, told *BusinessLine*: "Initially, they did not know what to expect. But when they got off at London they said, 'This is the way to travel!'"

There are many such stories of satisfied customers — and staff members. SP Dutt, who worked in Air India for close to three decades, recalls that in the 1960s, it was fun to travel Air India because it made several stops en route to London, which allowed passengers to hop off and bargain for deals in duty-free shops!

**Ashwini Phadnis**

