

"Aircraft and Airlines Business"



Weekly Learnings 27 / 2023

Recently there were two announcements from Air India and Indigo placing orders of 500 aircraft each. As always everyone got excited, and lots has been written on this. George, a freelance journalist brought this to my notice and asked me for my views for an article he wrote. Here are my learnings:

1. The concept of a national airline doesn't exist anymore. Air India was sold to the Tata's. There is no national pride in a national airline across the world.
2. This 1000 aircraft order is between 4 players - Air India, Indigo, Airbus and Boeing.
3. The airline industry in India employed 250,000 people and each aircraft creates 400 direct and indirect jobs. So, expect 400,000 new jobs when the full lot of 1000 aircraft is delivered.
4. India has the second-best combination of infrastructure if you take airport +aircraft plus rail network. India and China will vie for the second spot in number of aircraft this decade.
5. There are about 1000 aircraft delivered every year between Airbus and Boeing and they have a backlog of 12,000 aircraft as of December 2022. So, you can't buy aircraft like shampoo sachets and vegetables.
6. These 1000 will take time and in the meantime both Air India and Indigo are leasing aircraft, Air India has from Delta and Etihad and Indigo from Turkish.
7. In the top 10 fleets, there are 3 low-cost carriers, Indigo is there at No 9, it will get into the top 5 in the next few years. The Middle East is the fastest growing aircraft market-remember they have no rail and very little road network between them. Africa will be another big market if the 50 plus counters get their economies right.
8. One thing is clear, airlines are now functional, they are the death of distance, they are no longer the luxury positioning of the past. Airline passengers are time sensitive or price sensitive. They are v price sensitive on holidays.
9. Airlines account for 3.5% of all drivers of climate change. ESG will be a big part of the agenda.
10. I think we will see a bit of value destruction in the short term when Air India, Akasa start competing with Indigo. Indigo has more than 55% exclusivity among the 900 odd paired city routes. This will be challenged. India has lost 27 airlines in the last 30 years. I think Air India, Vistara and Indigo are here to stay. Who will be no 3 and No 4? Could it be some regional carriers?

Travel Infrastructure Data Top Countries

	India	USA	Japan	China	Russia
No of airports	137	5,211	98	~200	~200
No of Aircraft	700	6000	410	7000	310
Train Kms line	108,000	260,000	30,600	12,000	9,300
No of cars	30 mln	278 mln	62 mln	302 mln	58 mln
Time Zones	1	6	1	1	11
No of flyers	170 mln	1000 mln	130 mln	660 mln	115 mln

Global commercial Aircraft sales

Units	2017	2018	2019	2020	2021	2022E
Boeing	763	806	380	157	340	480
Airbus	735	813	863	566	611	661
Others	153	145	134	98	85	NA
Total	1618	1764	1377	821	1036	1200

Order book end 2022 units is Boeing 4575 and Airbus 6800

Multiple airport states

- Gujarat - 9
- Maharashtra, Karnataka, UP – 8 each
- Tamil Nadu – 7
- AP – 5
- Telangana - 4/5

Top 10 Fleet in the world

Airlines	Total Fleet size
1. American Airlines	950
2. Delta	900
3. United	800
4. Southwest	700
5. China Southern	600

6. KLM/AF	500
7. RyanAir	350
8. Turkish	350
9. Indigo	300
10. Emirates	250

Three low-cost airlines marked in yellow.