

There will be an almighty

INTERVIEW / WARWICK BRADY

'There will be an almighty war on air fares'

In 2003, Air Deccan was India's first low-cost airline. Now, after two years, it is one of the fastest growing low-cost carriers in the world. But this same frenetic growth is bringing with it a host of problems. Flights are often cancelled. Most of those that aren't, are delayed. Passengers are unhappy with the ATR service. Competitors are going to the extent of saying that Air Deccan is giving the "low-cost" tag a bad name. Worse, Air Deccan is finding it difficult to keep its costs down!

To fix Air Deccan, G.R. Gopinath, its founder & managing director, has hired senior executives from Ryan Air, the UK's most successful low-cost airline. The challenge before new COO Warwick Brady, 40, is in many ways bigger than what some other expatriate airline bosses have on their plates. Not only does he have to expand the business, but he has to knock the existing operation into shape. That's something even former United Airlines president Rono Datta is finding hard to do at Air Sahara. Young, energetic and aggressive, Brady believes Air Deccan is the next success story of which he must be a part. He tells BW's Anjali Bhargava how he hopes to go about his job. Excerpts.

What is your mandate?

I come from a world-class airline, Ryan Air of the UK, the most successful low-cost airline in the world. It is on a par with Southwest Airlines of the US [which is the benchmark for this kind of operation]. I genuinely believed that I would work at Ryan Air for another 10 years. Then I was approached by some headhunters who wanted to know whether I was interested in coming to India. I did some research and realised that if I wanted to do something big and exciting there were only two places where I could - India and China. I am here for the challenge of building Air Deccan into the biggest, most successful and lowest cost airline in India. I want to put in on a par with Ryan Air and Southwest.

Wouldn't starting something new have been easier than taking charge of an operation and trying to change it?

I'm not 100 per cent sure, but I think Air Deccan is the fastest growing airline in the world. With no international expertise, Air Deccan has done a fantastic job in putting an airline in place with 30 aeroplanes that would carry 4 million passengers this financial year. Now it has recognised that to take it to the next level, it needs someone from an airline that's done it before. When I joined Ryan Air, it carried 8 million passengers [a year] and now it flies 36 million. So I managed to get huge growth there. It's on-time record is the best in Europe. I also restructured an airline called Buzz.

Can you tell us about Buzz?

It was a low-cost airline set up by KLM, [the national carrier of the Netherlands]. All they did was set up a little national carrier with all its costs. I remember in the first week that I took over, I saw a memo from the catering committee apologising to the crew that there was no beef on the Amsterdam-London flight and that they would have to make do with chicken. For a company that's trying to keep costs low, this didn't gel.

Ryan Air bought Buzz, restructured it, cut the number of employees from about 600 to 150 for the same number of aeroplanes. We ran it as a separate company as we didn't want the culture of Buzz to come into Ryan Air. We paid 23 million euros for Buzz, which carried 2 million passengers year. So we got a good deal. Air Deccan now needs to be shaped into a fanatically low-cost airline. It is low-cost, but there are lots of people doing catering and cleaning. Turnaround times are high. It's not as punctual as it could be. It's facing these growth problems. And that's what I am here for - to manage Air Deccan's growth.

Are there others from Ryan Air to help you do that?

An engineering, an operations and a scheduling person. We also have a person who was with Ryan Air for about 14 years and who has now set up a ground operations business. She will restructure the ground operations and airport services here. They will come in for 3-4 months. We will be restructuring the engineering and taking a relook at inflight services. We have all the building blocks; we only have to put them together.

The fact that you have two types of aircraft defies the truly low-cost model.

This is one of the issues I raised before I joined. My job here is to import the best bits of Ryan Air, but we don't necessarily have to replicate everything. Markets vary. There is a big opportunity in India to carry traffic from regional places, where big Airbus aircraft cannot fly because the runways are too short, to metros. I think there are around 100 regional airports in India. If we can offer alternative transport at the right price where it doesn't take people a day to reach a metro, then there is an opportunity. Actually, this is our competitive advantage over the other low-cost airlines, or so-called low cost airlines: all the others are starting with jets.

'We don't want to be burdened with any cost not directly related to running the airline'

Which costs are you hoping to cut?

We'd like to look at regulatory ways of hedging fuel costs. I am looking at a minimum 15 per cent cost cut. I have only been here three weeks, so I may be talking nonsense. But one thing is for sure, there are always ways to cut costs. Even in office, there are people serving me coffee. This is a cost. It doesn't contribute to people flying in aeroplanes.

Using secondary airports is fundamental to Ryan Air's strategy. Currently, with no secondary airports in India, this is an issue. But I think in time these will develop. Airport costs in India are 50 per cent higher than those in Europe. This is not sustainable for an airline for a long time if you want to keep lowering your fares. On top of that, the services you get at the airports is very poor.

We are going to talk to Bangalore airport - the old one. We don't want to have coaches - we're happy to let the passengers walk to the building. We don't want aerobridges. We don't want any frills whatsoever. Our job is to fly people for as little as possible. The airport can work with us to develop the facility for low-cost carriers.

The second airport in Bangalore is expected to come up. In five years, the old one can easily become the secondary or the low-cost airport. I know the new airport authority is saying we won't allow domestic flights out of the secondary airport, but when their airport is handling, say, 5 million people, they won't care.

With the present cost structures, can the low-cost boom really happen?

For a low-cost boom to succeed in India, everybody has to come on board. Airports need to lower costs - navigational and landing charges and other fees. For instance, there could be a small simple terminal in Delhi which cuts out all the frills. Also, the airlines could be allowed to hedge fuel. Certain laws may need a relook. In India, the airline is required to have its own security staff, whereas in the rest of the world these things can be outsourced or subcontracted. We are burdened by additional costs that are not related to air travel, or are not related to our core business of running an airline. In most of the world, airports are responsible for security. Of course, airlines have to be vigilant, but the primary responsibility for security lies with the airport authorities.

My Air Deccan flights departed and landed on time. I must be one of the lucky few.

I know. This is one of our biggest problems. But it's not one that we can't fix. Believe you me, that's one thing that will change. Ten years ago, Ryan Air went through the same problems. When I joined Ryan Air in 2002, it was leaving behind a 100 bags every time. Flights were two hours behind. It was on time 60 per cent, but commercially people were still paying to go late. Now, it's obvious you can't suffer that kind of reputation for too long. Ryan air was really in a bloodbath of bad press in the summer of 2002. We fixed it. Now, it's got a entirely different reputation. It's on time, it's cheap as chips, and it's a fabulous package. Whether they smile at you or they're flying models is irrelevant.

Do you see a market for value-based carriers like Kingfisher?

There may be a market, but the question is: how big is it? The biggest market available is for the cheapest travel. We will capture entrepreneurial business traffic. Value carriers will end up competing with us on fares.

How do you see the market today and five years from now?

If I was in IndiGo's shoes looking at entering the market, [I would see] fuel prices have gone up [and] lease costs have risen as availability of aircraft has gone down. I think it is a very, very tough market. There is going to be two years of very tough competition. Certainly, some of the airlines will go bankrupt. It is very important to be highly capitalised. One needs a big war chest. I think there's going to be an almighty war on fares. No matter what airline segment you are in, fares are going to come down. A Kingfisher must be biting into Jet already.

I'm surprised Capt. Gopinath, who is so hands-on, has brought in someone... Is it an admission that he can't manage?

Not at all. It's not that he can't manage. The problem is that it takes time to learn the best practice and I don't think in this market Air Deccan has the time to do so. So the only way to get it is to bring in people [who are familiar with those]. If you are going to take the best practices in the industry, you require to take someone from Ryan Air, easyJet or Southwest.