

Merger won't have adverse impact, AI & Vistara tell CCI

- A Monitor Desk Report

Date: 05 July, 2023



Air India and Vistara have told competition watchdog Competition Commission of India that there will be no adverse impact on competition due to their merger.

It added that they have rivals in all the routes that the combined entity would fly. This comes after media reports stated last month that the CCI had sought an explanation from Air India on why investigation into its merger with Vistara should not be conducted.

The airlines said that the CCI scrutiny would not have any material business impact on their operations, however, the timeline could be impacted, as per a report in The Economic Times.

Air India and Vistara have now moved to the second phase and more discussions between the parties and the CCI are likely to ensue. The CCI has not given expedited permission for the merger.

Air India also told the commission that there is no business cost difference between a full-service and a low-cost airline since they fly out of common airports and bear the same fuel, landing and parking charges.

The new entity is expected to have 49 per cent of the total flights in the Delhi-Mumbai route, while IndiGo has 31 per cent. The entity would have 23 per cent of total flights in the Delhi-Dubai route, where IndiGo, Emirates and SpiceJet have a significant presence too.

The Tata Group-owned Air India has ambitious plans to modernise its fleet, operational systems and revenue management. With the merger, the carrier would become the only full-service airline operating in India.

Tata had said in November last year that the Air India-Vistara merger would create a bigger airline that would compete with the likes of IndiGo as well as Middle Eastern carriers that dominate outbound traffic from India.

Earlier reports stated that CCI was of the opinion that on some routes and categories such as business class travel, the merged entity could have a monopoly. Air India might be required to give up certain routes or reduce frequency to ensure competitiveness.

CCI's concerns come on the back of growing concerns in the industry about the duopoly of Air India-Vistara entity and IndiGo controlling most of the market while smaller players such as Go First and SpiceJet struggle.

-B