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**Imran Asif**  
CEO, Regent Airways

**Q** How will you evaluate the aviation industry in 2012? How was your company's business in 2012? Being the most successful local airline company, does your company's conditions represent the whole industry? If otherwise, how do you perceive others did perform in 2012?

**A** In my opinion, the year 2012 was quite encouraging for the aviation industry, as was the immediate preceding year (2011), owing to a steady growth in air travel that was witnessed both in domestic as well as international air travel within and to/from Bangladesh. Regent Airways also carried approximately 20 percent more passengers in 2012 than the previous year, and with better yields too. While this growth achievement was primarily led by growing market size, the fact that other local carriers failed to address the domestic growth also added to our dominance in the domestic air travel market.

**Q** In 2012, Bangladesh has been freed from the status of the Significant Security Concern country. How did it impact the industry as a whole?

**A** The SSC restriction was the biggest impediment to the growth of the airline industry of Bangladesh, and being able to come out of it was a major relief for all operators. With the restrictions in place, it was not possible for local airlines to expand into international operations which was a major setback to any airline's growth potentials as over 80 percent of the country's air travel market is attributed through international flights. With the restrictions lifted, the local operators can now expand sustainably through international operations and Regent Airways became the first operator after the lifting of the restrictions to receive approvals from the Government of Bangladesh and the CAAB to operate international flights to destinations in Southeast Asia and the Middle East.

**Q** What was the scenario of the international and domestic flight growth in 2012? What do you expect the scenario to be in 2013?

**A** Since we began operations on domestic network from November 2010, we have witnessed a steady growth in domestic air travel and we ourselves have carried over 270,000 passengers in 2012 as opposed to about 230,000 in 2011, marking a growth of about 20 percent. We expect the growth to sustain because on-time performance of flights gives greater confidence to a new segment of travelers who would otherwise choose to travel by alternative means. In the first two years of operations,

Regent Airways demonstrated a recorded on-time performance of 97 percent of its scheduled flight operations which clearly inspired many new travelers to choose to travel by air than otherwise.

**Q** Many say that the demand curve for aviation is inelastic for aviation. Do you agree with this statement in regard to the demand scenario in 2012?

**A** The air travel growth of any market anywhere in the world is primarily driven by the region's economic growth. The economic growth of Bangladesh in 2012 was around 6 percent which is by itself a strong stimulant to the air travel industry which has grown even stronger in 2012 by around 10 percent than the previous year. Therefore, the demand elasticity for aviation being essentially related to the economic growth was quite encouraging for Bangladesh in 2012.

**Q** Domestic flight cancellations have been a major issue in 2012 on part of the airlines. How do you justify this? How the flying agencies will be trying to improve the schedule-maintenance in 2013?

**A** Contrary to the trend in the domestic air travel of Bangladesh, Regent Airways has proven through the two years of its operations that it is possible to achieve a high dispatch-reliability and on-time performance of flights if the network planning is done with prudence and execution is done with expertise. We have operated over 12,000 flights in the first 24 months of operations, with an on-time performance of 97 percent as proven from the published schedule and record of operations. During the same time, the dispatch-reliability of our fleet of 2X Dash-8-Q300 aircraft stood at over 99.6 percent. This means that for every 100 flights scheduled, the aircraft were technically serviceable to be operated 99 times, and 97 times the flights could be operated on-time.

This is not something we are just claiming, but it is on record with the CAAB too. This was possible because we had an efficient network schedule, and all our departments coordinated well and efficiently to achieve the set objective of being the most reliable airline in the country.

**Q** Most of the airlines are running in no profit margins. What are the hindrances in this prospect? What should be the remedies?

**A** Firstly, unless an airline sustains for at least 1½ years in domestic operations and eventually expands into

international operations, it may not even reach the break-even point as the investments are too large for the airline to have enough returns from the domestic market which represents only around 20 percent of the total air travel market of Bangladesh. Once the airline would go international, it would be able to spread its fixed costs across a higher number of flights and seats, as well benefit from higher yield potentials to enable it to break-even and become profitable if the operations are well-planned. Secondly, the cost of fund in Bangladesh is very, very high compared to most of the countries of the world who have large, global airline operators such the UAE, or even India. Such high cost of funds for the investments makes the local airlines far less competitive in terms of costs when competing against large airlines operating in the same markets.

To mitigate this competitive disadvantage faced by the local airlines, the Government should consider giving incentives in terms of access to funds at lower interest rates and tax exemptions. Otherwise, the local airlines will struggle to remain competitive against the larger, international airlines from other countries.

**Q** Have there been any sorts of policy change in the industry from the government's end? Do you expect better treatment in 2013?

**A** The first thing that we would expect is for the Government to establish a clear and comprehensive customs policy for import of aircraft and parts. The current policy has contradictions where in one hand it is mentioned that aircraft and parts are free from taxes and duties; whereas on the other hand, the HS code applications are often interpreted incorrectly and taxes are levied on aircraft & parts which becomes a huge burden and exposes the airline to unforeseen costs. Secondly, the Government must also establish a policy through the National Board of Revenue to allow for expedited release of aircraft parts & spares, and pending customs clearance for Aircraft-on-Ground (AOG) cases. This is a normal practice for the airline industry across the world simply because customs delays for release of spares & parts could keep the aircraft grounded for long periods causing loss to the airline and severe inconvenience to the passengers.

**Q** With Bangladesh being out of the SSC, what is our prospect in the international flight sector in 2013?

**A** The withdrawal of the restrictions has opened up the world to the local airlines, and will give a new lease of

life to the existing operators. The potentials of international air travel market of Bangladesh is very strong as evident from the increasing operations seen by major global airlines operating in Bangladesh. I sincerely believe that with prudent planning & efficient execution, the local airlines can tap on the market potentials which are very encouraging by commercial prospects.

**Q** Are there any expansion plans of the industry as a whole in 2013?

**A** With the SSC restrictions removed, and the potentials of the market as it is, I think all operators will look to expand their operations in 2013 and beyond. Regent Airways is set to begin international operations beginning with Kolkata as the first destination and subsequently to destinations in Southeast Asia and the Middle East by mid-2013 using a modern fleet of two (02) Next Generation Boeing 737-700 aircraft which will join the airline by April and May 2013.

**Q** You had earlier said that you expect more support on part of the foreign ministry for our airline agreement negotiation. Do you see any initiative coming from the government's end in 2013?

**A** In 2012, several Air Service Agreements were newly signed and some have been revised to allow for greater interests for the operators considering the market demands. We hope these agreements have been signed with due consideration given to national interests as well as market dynamics and that the Ministry of Civil Aviation & Tourism took fair steps to negotiate the terms thereof.

**Q** 2013 is going to bring in some instability along with the elections. What may be its impact on the airline industry?

**A** The risks that are posed to the airline industry due to political instability are indeed very damaging. Strikes and other blockades hamper the movement of travelers to/from the airport and they also in turn miss out important professional commitments which effectively goes to hurt development tasks of the country. We, as airlines, also struggle to maintain operational continuity as logistic challenges often become difficult to surmount. Last but not least, the commercial damage also hurts as our fixed costs become too heavy to cover the drastically lower revenue earnings.

*Interview is taken by Md. Ashaduzzaman Riadh and Tanzina Ahmed Choudhury. All views and opinions expressed here are solely of the interviewed persons and neither represent the views of LankaBangla Securities Ltd. nor those of any of its associated institutions.*