

IMPACT OF COVID-19 ON THE CIVIL AVIATION SECTOR IN INDIA

Author: Prof. Y. Nisha

Associate Professor, Amity Global Business School, Mumbai

Hrushikesh, Block F, A301, Lokhandwala, Andheri West, Mumbai 400053

Tel: 09920900413 Email: shibanishaa@gmail.com, ynisha@mmb.amity.edu

ABSTRACT

Civil aviation in India has witnessed a robust growth over the years and India is now seen as a country with the potential to be an aviation hub. Passenger traffic in India continues to rise year on year and in keeping with the demand, Airports Authority of India is planning mega developments by increasing the number of airports across India. The last decade especially has been one of the finest in the aviation history in India and it is expected that by FY35 India will be the third largest aviation market in the world. A slew of measures taken by the government have also led to a surge in passenger traffic in India. However, in spite of the tremendous growth over the years, the industry has witnessed major economic downturns and not all airlines have been able to ride the whirlwind. Collapse of Jet Airways in 2019, once a dominant player in Indian aviation, exposed the vulnerability of the airlines in dealing with eventualities. However, even before the industry could reel from the shock of the collapse, it is now faced with another behemoth challenge of Covid-19. The pandemic, Covid-19 has disrupted economies around the world and one of the worst hit has been the aviation industry. Airlines across the world are grappling with the damage caused by the pandemic and the civil aviation sector in India too has a mammoth task ahead to ensure that the airlines stay afloat.

Key words: Aviation, employment, Covid-19, jobs, Indian aviation

INTRODUCTION

COVID-19, declared a pandemic by World Health Organization (WHO) on March 11, 2020 has the world grappling with economic slowdown on the one hand and saving lives and livelihoods on the other. The first case of the contagious corona virus disease Covid-19 was

detected in Wuhan, China in December 2019. In a span of 3-4 months the virus spread to more than 200 countries, infecting millions of people across the globe and causing more than 400,000 deaths. The impact and spread of the virus was such that nations across the globe were immobilized for a brief period. Industries across the nations were shut, the economy suffered and thousands were rendered jobless across the globe.

In India, Covid-19 was first detected in January 2020 and as cases rose, government of India announced a national lockdown in three phases from 25th March 2020. Industries / businesses across India too had to shut operations and come to a standstill. One of the sectors that severely bore the brunt of this crisis was the aviation sector. On 25th March 2020, the government announced the closure of airports for all domestic and International flights to and from India. Passenger movements came to a complete standstill. Though domestic flight operations resumed by mid-May 2020, the dip in revenue led to losses running into millions. The aviation sector in India was still to recover from the devastating collapse of India's largest private airlines Jet Airways in 2019 and with Covid-19 shredding the aviation industry; it's a double whammy for the sector.

This paper therefore aims to understand the impact of covid-19 on the Indian civil aviation sector and the measures that may be required to keep the airlines afloat.

OBJECTIVES OF THE STUDY

1. To study the immediate impact of covid-19 on the aviation sector in India.
2. To understand the concerns of the cockpit/cabin crew in undertaking flight operations during the course of the pandemic.
3. To understand the preparedness of the aviation industry in dealing with eventualities.
4. To analyze the measures needed to be taken to keep the airlines afloat during this crises situation.

CIVIL AVIATION IN INDIA - OVERVIEW

India is considered to be one of the largest aviation markets in the world. The aviation industry in India is one of the largest contributors to India's GDP with about \$72 billion (Kumar, 2020). With 125 airports managing close to 78% of domestic passenger traffic and 22% of international passenger traffic, India is considered to have some of the busiest airports in the world with the Indira Gandhi International Airport at New Delhi topping the list in India. During the period April 2018-February 2019, the passenger traffic in India stood at 316.51 million. As per data released by IATA, in 2018 India's domestic market recorded the fastest full year domestic growth rate for the fourth year in a row (18.6%) followed by China (11.7%). (Sinha, 2019).

HISTORY OF CIVIL AVIATION

India has come a long way from 1911 when the first commercial Indian aviation flight took off from Allahabad to Naini. In 1932 JRD Tata formed Tata Airlines which went on to become Air India. In 1953, the Air Corporations Act led to the airline industry being nationalized and this led to eight airlines being merged into two corporations, one for domestic service namely Indian Airlines and the other for International service, namely Air India. In 1994 the Air Corporations Act was repealed paving the way for private airlines such as Air Sahara, Modiluft, Damania Airways, NEPC Airlines and Jet Airways to commence operations. The Indian civil aviation industry witnessed spectacular growth during the period. However the industry has not been insulated from economic downturns. The exit of Damania, NEPC and East West Airlines brought to fore the challenges the industry faced.

EVOLUTION OF THE SECTOR

India's aviation industry witnessed a sudden surge in transportation investments post 2000's. The reforms introduced by the government during the period and the economic policies led to robust developments in the sector. There were also many new entrants in the Indian market such as Kingfisher, Air Deccan, Go Air, Paramount Airways, Indigo and SpiceJet. As of May 2006 private airlines accounted for around 75% share of the domestic aviation market. (Bawa, 2011). The five year period 2001-2005 saw a surge in passenger traffic from 7.69% to 23.73%. The sector witnessed a significant increase in number of domestic air travel passengers

and some of the factors leading to the significant demand were the growing middle class and their purchasing power, low airfares and growth of tourism in India.

However, over the years, factors such as high cost of aviation turbine fuel (ATF), rising labor costs, rapid fleet expansion and intense price competition led to discontinuations, consolidations and buy outs. Jet Airways and Kingfisher acquired Air Sahara and Air Deccan respectively in 2010. By 2012, even Kingfisher Airlines ceased operations rendering hundreds of employees jobless.

CURRENT SCENARIO

The growth trajectory of the aviation sector has been spectacular in the last few years. As shown in Figure 1 below, the passenger traffic for the period 2007-2017 grew from 116.9 million to 308.8 million.

Figure 1 : Indian Airports Passenger Traffic : 2007-08 to 2017-18



Source: Airports Authority of India, Traffic News

In fact, over the last three years the civil aviation industry has emerged as one of the fastest growing industry in India. With strong economic outlook, introduction of new civil aviation policy and weak crude oil, the passenger traffic is expected to grow exponentially over the years and as stated by International Air Travel Association (IATA) via its press release no 59, it is expected to be 442million by FY35. According to IATA, by 2024 India is set to become the third largest aviation market after China and US.

CHALLENGES AHEAD

The Indian civil aviation sector had been on an upward swirl over the past decade with the year 2018 being a year of mega profits for the sector. However, the collapse of Jet Airways in 2019 proved the prevailing grim situation of the airline industry in India. With mounting losses due to high costs, rising aviation turbine fuel (ATF), frequent technical glitches and intense competition, Jet Airways finally shut operations across the globe rendering thousands jobless. India's national carrier Air India has been in a similar situation for years. With losses being reported for several years, it is precariously standing on thin ice with support from the government.

Indian civil aviation industry is already witnessing a turbulent period and now with covid-19 impacting the travel industry, the aviation sector may be on its most difficult path to recovery. It is expected that due to covid-19 there would be a 40-60% reduction in the passenger traffic in India in the FY21. (Phadnis, 2020). This uncertainty over normalcy of flight operations and passenger traffic on account of the pandemic once again highlights the precarious situation of the airline industry and its ability to cope with eventualities. In spite of witnessing major turbulence over the years, the Indian airline industry has not equipped itself to withstand regular economic losses on account of downturn or rising fuel prices, let alone the colossal damage caused by the pandemic(Som, 2020).With uncertainty looming large, the industry once again needs to brace itself for turbulent times ahead.

REVIEW OF LITERATURE

The aviation sector across the world has been one of the most affected due to impact of Covid-19. The severity of the impact is way more profound than the crises faced by the industry during 9/11 or the 2008 global financial crises(Bose, 2020). The domestic passenger traffic in India saw a decline from 1.6 crore in March 2019 to 77.62 lakh in March 2020. According to a report by Centre for Asia Pacific Aviation (CAPA), domestic traffic in India may decline from around 140 million in FY20 to 80-90 million in FY21. International traffic is also expected to fall from approximately 70 million in FY20 to 35-40 million in FY21 (Jaiswal, 2020).

Depending on the progression of the virus across the nations, the airline industry would also need to successfully navigate through the challenges of domestic and international travel restrictions/limitations imposed by the nations. The vaccine for covid-19 is yet to be developed and this may further restrict budget and leisure travels. Also, with webinars and video conferencing being the new norm of communication and meetings, business travels will also see a decline (Naidu, 2020). As per reports by IATA this unprecedented crises will lead to 29 lakh job losses in the Indian aviation and dependent industries.(Nambiar, 2020).

RESEARCH DESIGN

The research is descriptive in nature. The target population for the study are those working in various airline companies in India. Data for primary research was collected through a survey conducted in the month of May 2020. An open and closed ended questionnaire was used for the same and this was sent via Google forms to known sources in the airline industry. Sampling technique used is Convenience sampling. A total of 574 responses were received. Analysis of the data has been done through the graphical model used in Google forms. For paucity of space, not all responses are presented through graphics but are more descriptive.

FINDINGS

The findings of the study are based on the 574 responses received through the primary research conducted for the study. The respondents are employees working in various airline companies in India in various capacities. 54.5% of the employees had more than 10 years of experience while 26.1% had more than 20 years of experience in the aviation Industry. 21.1% of the respondents had less than 3 years of experience in the aviation industry.

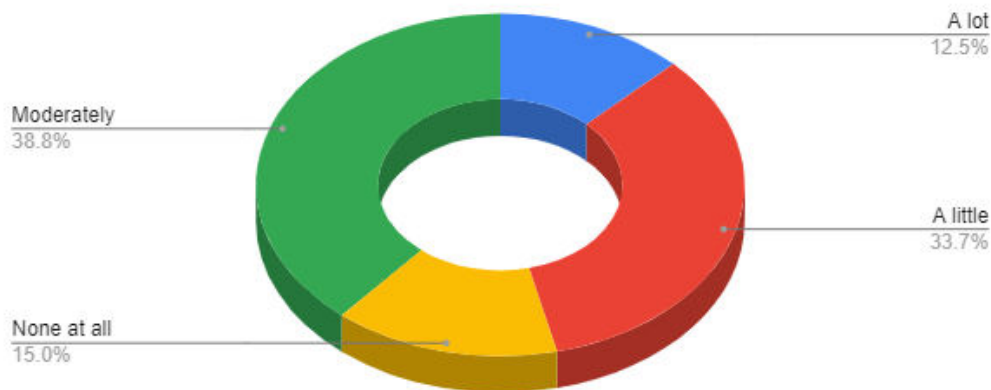
Impact on aviation sector jobs:58.9% of the respondents strongly believed that covid-19 will severely impact the airline industry, while 7% of the respondents were unsure of the impact of covid-19 on the aviation sector jobs. More than 43.0% of the respondents however believed that their job is at risk due to the pandemic and 60% of the employees were willing to take a pay cut to save their jobs.

Impact on Salary & Compensation: Pay cuts were announced by some of the airlines during the course of the two month period of lockdown. 54.7% of the respondents took a pay cut during the period of lockdown between March-May 2020 and 22.1% of the respondents did not receive any salary during this period.

Operating long haul flights: With the pandemic impacting nations across the globe and safety being a priority, the study aimed to understand the willingness of the cockpit/cabin crew in undertaking domestic and international flights with 3-4 days layovers. While 48.4% of the crew was confident of undertaking such flights, 25.4% were hesitant to operate long haul flights involving layovers. The basic concern was the safety procedures followed by the hotels.

Airlines preparedness to eventualities: One of the objectives of the study was to understand if the airline industry is prepared to face eventualities considering the various downturns experienced over the years.

Figure 2: Preparedness to facing eventualities.



As seen in Figure 2 above, about 12.5% of the respondents felt that the airline industry is quite prepared to face eventualities while 38.8% of the respondents felt they are moderately prepared and about 15% felt that they are not prepared to face eventualities at all.

Measures to ensure sustainability of airlines during the pandemic:

While the data collected through primary sources clearly indicated the need for a financial stimulus package from the government to support the airlines, the respondents stated that the government could also support the airlines by adopting the following measures:

- a. Reduction in excise duty on Aviation Turbine Fuel (ATF) and also to bring it under GST so as to bring down its price
- b. Restructure lease on the aircrafts
- c. Waive off the landing and parking charges of aircraft and cut Route Navigation charges
- d. Moratorium on loans repayments
- e. Change the route dispersal guidelines so airlines have the freedom to fly to viable routes.

CONCLUSION

Covid-19 has caused colossal damage to the airline industry across the world. In India, domestic flight operations gradually resumed by mid-May, 2020 however they are nowhere near 100% and as on June 2020 international operations were yet to begin. Passenger traffic in India in the first half of 2020 has been at its worst. To mitigate the losses, airlines have resorted to various cost-cutting measures, however the high price of ATF, high lease rentals, costs of safety measures, cap on ticket pricing and reduction in passenger traffic leaves very little for the airlines to tide through the crises. It is now pivotal that the airlines frame a definite flight plan to charter the course of recovery, for until that happens the airline industry in India will continue to bleed. This double whammy of the collapse of Jet Airways and the current crises should be a wakeup call for the airlines too. It is time the industry think tanks devise a long term strategy to at least cushion itself from normal regular downturns, if not the pandemic. Countries such as UAE, US and Singapore have provided the much needed support to the airline industry and the government of India too may therefore need to rework its policies and work in tandem with the airlines to take some concrete measures since the future looks bleak for the Indian civil aviation industry as many airlines may lie precariously close to bankruptcy. With Jet Airways down and Air India walking on thin ice, another blow to this industry could be catastrophic.

REFERENCES

- i. Bawa, P. (2011). A report on aviation industry in India. *Asia-Pacific Business Review*, 01.
- ii. Bose, M. (2020, March 29). *India's air travel industry jolted by COVID-19, in grave danger of insolvency: IATA*. Retrieved from deccanherald: <https://www.deccanherald.com/business/indias-air-travel-industry-jolted-by-covid-19-in-grave-danger-of-insolvency-iata-818829.html>
- iii. Jaiswal, S. (2020, April). *State of Indian Aviation Industry: CAPA Reports*. Retrieved from bwhotelier.businessworld: <http://bwhotelier.businessworld.in/article/State-of-Indian-Aviation-Industry-CAPA-Reports/07-04-2020-188489/>
- iv. KPMG. (2019). *Vision 2040 for the Civil Aviation Industry in India*. MUMBAI: FICCI.
- v. Kumar, V. (2020, April 07). *How Covid-19 Pandemic Cripples the Indian Aviation Industry?* Retrieved from industrywired: <https://industrywired.com/how-covid-19-pandemic-cripples-the-indian-aviation-industry/>
- vi. Kundu, R. (2020, Feb). Retrieved from livemint.com.
- vii. Majumder, A. (2020, March). Retrieved from thewire.in.
- viii. Naidu, R. (2020, May 28). *Can airlines weather the Covid storm?* Retrieved from conomictimes.indiatimes: <https://economictimes.indiatimes.com/markets/stocks/news/can-airlines-weather-the-covid-storm/articleshow/76059389.cms>
- ix. Nambiar, S. (2020, April 24). Retrieved from businesstraveller: <https://www.businesstraveller.com/business-travel/2020/04/24/covid-19-to-impact-29-lakh-jobs-in-indian-aviation-dependent-sectors-iata/>
- x. Neate, R. (2020, April). Retrieved from theguardian.com: <https://www.theguardian.com/business/2020/apr/28/british-airways-plans-to-make-up-to-12000-staff-redundant>
- xi. Phadnis, S. D. (2020, April 9). *40-60% drop in air passenger traffic likely in FY21 amid Covid-19 crisis*. Retrieved from business-standard: https://www.business-standard.com/article/economy-policy/40-60-drop-in-passenger-traffic-likely-in-fy21-amid-covid-19-crisis-120040900035_1.html
- xii. Som, V. (2020, April 15). *The Colossal COVID-19 Impact On Airlines In India And A Struggle For Survival*. Retrieved from <https://www.ndtv.com/>: <https://www.ndtv.com/india-news/coronavirus-india-without-government-aid-indias-aviation-sector-may-remain-grounded-2212156>