# Ongoing Crisis in Jet Airways

## What is the issue?

- From being one of the most preferred airlines, Jet Airways is now fighting for its survival.
- Here is a look on its growth, the current crisis and the reasons behind.

## How did the Jet Airways evolve?

- In 1974 Mr. Naresh Goyal started the Jet Air, a travel agency.
- The country's economy and its skies too were opened up in the early 1990s.
- With this, Goyal was able to work towards launching Jet Airways, one of the first private airlines in India.
- Eventually, Jet Airways started full-fledged operations, and stood for the private sector efficiency in India.
- In 2004, the government introduced the 5/20 rule for allowing Indian scheduled carriers to operate on international routes.
- Indian scheduled carriers with a minimum of 5 years continuous operations and having minimum of 20 aircraft in their fleet were eligible.
- Jet benefited immensely from this as it kept its relatively younger competitors (Kingfisher Airlines and Air Deccan) out of international operations.
- With relaxed FDI rules, Abu Dhabi-based carrier Etihad Airways picked up stakes in Jet.
- With all this, Jet stood out from other private players such as ModiLuft, Air Sahara and East-West Airlines.
- While ModiLuft and East-West ceased operations in 1996, Jet acquired the Air Sahara in 2007.
- Until 2015-16, Jet paid among the highest salaries, spending Rs 67.04 lakh annually on each of its pilots.

## How has Jet's performance declined?

- From 44% domestic passenger market share for Jet Airways in 2003-04, it fell to around 27% in 2006-07.
- In February 2019, with a market share of 10%, Jet Airways had dropped to the 4th place, behind IndiGo, SpiceJet and Air India.
- Directorate General of Civil Aviation (DGCA) notes that Jet Airways, along

with JetLite, the company's wholly owned subsidiary, received the highest passenger complaints.
- These complaints are over a number of issues such as fares, refunds, flight delays and cancellations, baggage handling, etc.

## What is the ongoing crisis in Jet Airways?

- The Jet Airways is facing a crisis of confidence among its various stakeholders.
- Its shareholders are looking to offload Jet's stock.
- With frequent disruption and complaints, its passengers are looking at other airlines.
- There is delay in salary payments for the staff. The pilots of Jet Airways are interviewing for jobs with Jet's rivals.
- Jet's lessors are beginning to apply for de-registration of grounded planes, which have been pulled out of service due to non-payment of lease rentals.
- Only 41 of the 119 aircraft in Jet's fleet have been operational.
- Significantly, the future of Jet's 17,000 employees is tied to the airline's survival.
- So efforts are being made at the highest levels of the government to ensure there are no job losses.

## What are the reasons for the current crisis?

- With an average yearly growth of 20% in the last 4 years, India's aviation market is among the fastest growing in the world.

- Among the many factors for Jet's troubles, a major one is its acquisition of the debt-ridden Air Sahara in 2007.
- Sahara had a good product but was in a financial mess.
- Jet Airways bought the Sahara airline for Rs 1,450 crore and converted it to a low-cost carrier under the JetLite brand.
- It hoped to enjoy a lower cost base than competitors by leveraging group facilities and services.
- But in the following years, competition was high, especially from the IndiGo.
- But what probably made it worse for Jet was its inability to raise fresh funds.
- Not being in sound financial shape itself, Etihad is also considering offloading its stake in Jet Airways.

- Other factors for the current crisis include -

  i. steady losses in the wake of higher fuel costs and a weaker rupee
  ii. the carrier's inability to raise funds in troubled times
  iii. a growing market for low-cost carriers (SpiceJet, IndiGo and GoAir) that

affected the profitability of a full-service carrier like Jet

## What is the way forward?

- The urgent need for Jet's survival is an immediate infusion of funds to pay salaries, service debt and pay dues to lessors.
- Lessors are panicking because if Jet goes into insolvency, their aircraft will be stuck in India.
- Recently, Jet Airways's board of directors approved a bank-led provisional resolution plan.
- It currently estimates a funding gap of Rs 8,500 crore to be met by an appropriate mix of equity infusion and debt restructuring, among other things.
- The government has indicated its resolve to save the airline and has, in fact, kicked off a process to bring in new investors.
- The survival of Jet Airways now rests on whether it finds a new investor.

**Source: Indian Express**

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