



The Rise and Fall of Jet Airways : A Case Study

Genesis of Jet Airways:

Recipient of several business and leadership awards, Company founder Naresh Goyal completed his graduation in Commerce in 1967 and joined the travel business at the age of 18 as a general sales agent(GSA) for the Lebanese International Airlines. From 1967 to 1974 he learnt the intricacies of the travel business through his association with several foreign airlines. In May 1974, he formed his own company, Jetair (Private) Limited, to market other foreign airlines in India. Naresh Goyal was involved in developing studies of traffic patterns, route structures, operational economics and flight scheduling. Jet air eventually grew to a network of 60 branch offices. After three and a half decades of monopoly by Air India and Indian Airlines, the Indian government reopened the domestic aviation market to private carriers in April 1989. This provided an opportunity to Goyal who established Jet Airways (India) Private Limited in 1991. It commenced commercial operations on May 5, 1993. At that time, Jet Airways claimed to be the only profitable privately owned airline in India.

History of Jet Airways:

- On the 1st of April 1992, Jet Airways was incorporated as an air taxi operator, starting commercial operations one year later, with a fleet of four Boeing 737-300 aircraft.
- In early January 1995, Jet Airways was granted its scheduled airline status, after the Air Corporations Act was abolished. This came as a renewal of the Indian flight market, given the fact that, since 1953, Indian Airlines held the monopoly in the domestic segment.
- In March 2004, Sri Lanka became the first international destination served by Jet Airways, once the Chennai – Colombo route was established.
- An outstanding offer was made, in January 2006, by Jet Airways, its plan to buy Air Sahara for half a billion USD shortly becoming the biggest takeover in Indian aviation history. Although this deal could have made Jet Airways the largest Indian airline, by June 2006 it was abandoned.
- Despite the fact that Jet Airways and Air Sahara were the only private airlines to survive the Indian business downturn of the early 1990s, Air Sahara was acquired by Jet Airways in April 2007 for 340 million USD, being renamed JetLite and branded as a low-cost, full service carrier.
- In August 2008, Jet Airways announced its intentions to fully integrate JetLite into its services.
- In October 2008, Jet Airways restructured its payroll and had to let go 1,900 employees – this becoming the largest lay-off in the history of Indian aviation. However, this decision was not permanent, since later on the aforementioned employees were called back to work. Despite their direct rivalry, during this time both Jet Airways and Kingfisher Airlines decided to cooperate, agreeing upon a code-sharing alliance on domestic and international routes, and joining forces to reduce expenses on the fuel consumption.
- Jet Airways' main low-cost brand was launched in May 2009, under the JetKonnnect label. This step took forth a broader plan of action for the airline's future, aiming to shift their JetLite network load – which experienced delays – to a similar operator code, so that the aircraft transfers between Jet Airways and JetLite would cease to happen. JetKonnnect's purpose was to cover segments with a 50% or less load factor, and will be kept on the market only until Jet Airways flight demand will increase.

- During 2009, new Middle East destinations have been added.
- After numerous complaints (regarding their baggage getting stained from meat products and other liquids) sustained by its passengers, Jet Airways decided to forbid the carriage of fish, crab, poultry and meat derivatives, as well as liquid articles, in the checked baggage. This new regulation came into effect starting June 2011, making Jet Airways the first Indian airline to impose this kind of restrictions.
- In January 2012, Jet Airways started operating five ATR 72-600 aircraft on domestic and regional routes, and, in December, the airline took delivery of the first of four new Airbus A330-300 ordered direct from the manufacturer.
- In April 2013, Jet Airways placed an order for 75 Boeing 737 MAX aircraft, as part of the modernization of its fleet of 737s, with deliveries starting June 2018. The airline also announced that it was ready to sell a 24% stake in the airline to Etihad Airways, a deal that was completed in November.
- In August 2014, Jet Airways announced that, by the end of the year, it would phase out Jet Konnect as part of plans to re-position itself as a uniform full-service operator. By December, Jet Konnect was fully merged with Jet Airways, which became the third full-service airline in India, besides Air India and Vistara.
- In December 2015, Jet Airways announced the closure of its scissors hub at Brussels Airport. By March 2016, the airline started using Amsterdam Schiphol Airport as its new European hub.
- In February 2016, Jet Airways became the second largest airline in India with a 21.2% passenger market share. It also announced the introduction of an in-flight entertainment service for streaming of entertainment content directly to Wi-Fi-enabled personal devices.
- In March 2016, Jet Airways integrated and moved all its domestic and international operations at Mumbai airport, in the newly constructed Terminal 2.
- In 2017, Jet Airways announced codeshare enhancements with Virgin Atlantic, enhancing India – US connectivity via London Heathrow, and with Delta Airlines, Air France, and KLM, expanding choice and connectivity options for passengers flying between India and Europe. Jet Airways also signed new codeshare agreements with Hong Kong Airlines, connecting India to Japan, Indonesia, Thailand, Vietnam, and New Zealand over Hong Kong, Fiji Airways for convenient connectivity between India and Fiji via Singapore and Hong Kong, and Jetstar Asia for flights through Singapore.
- No deadly incidents involving Jet Airways aircraft have been recorded so far.



➤ **Promising Beginnings:**

Jet Airways' mission of establishing a world-class airline, namely the values of professionalism and warmth were reflected in the product and service delivery to their guests. These core values were built into the brand colors where blue stands for professionalism and yellow represent warmth. Similarly, the chosen corporate symbol—the Flying Sun—was conceptualized as a graphic representation of an aircraft's tail wing speeding past the sun. In the first year itself, they operated 28 daily flights to 12 destinations in India with a fleet of just four Boeing 737-300 aircraft, leased from Ansett Aviation, Australia. Ansett was also the chosen partner for training their pilots and engineers, thus ensuring that operations were reliable and that they placed the safety of guests in the best possible hands. Investments were made in hiring the world's best expertise that enabled Jet Airways to deliver a new and superior air travel experience on the ground and in the air, thereby ensuring that our guests would truly experience the 'Joy of Flying'.

➤ **Strength to Strength:**

In their first year of operations, Jet Airways announced the launch of a flight connecting Mumbai and Kolkata, two of India's largest cities. This was no ordinary launch; Jet Airways entered the City of Joy with great hopes and dreams on June 22, 1994. Like other progressive business organizations, Jet Airways has always dreamt of being an airline that brings about change in the social environment it operates in. Since inception, they have sought to make Jet Airways an airline for the people, committed to its social responsibilities and continuously honoring its commitment to the community – a promise they have kept even 25 years on. As part of this Endeavour, they pledged one per cent of their revenue made over three months to Mother Teresa and her Missionaries of Charity in Kolkata. It was an honor and privilege for Jet Airways to be associated with Mother Teresa and her missionaries who continue to work tirelessly towards caring for the underprivileged; they believe her blessings have helped them to reach their silver jubilee anniversary...



The service values of professionalism and customer friendliness were also incorporated into the design of crew uniforms, which projected a contemporary, professional, elegant and friendly appearance. Worn by a young and attractive crew, the early uniforms, that were western in appearance, marked a refreshing

change in the domestic aviation market of the early 1990s. These evolved to stay contemporary again in 1999 and then in 2007 as part of a multi-million dollar rebranding of Jet Airways' corporate identity, undertaken in order to reflect progression from a world-class domestic airline to India's premier international airline. The newer uniforms were designed by renowned Italian designer, Roberto Capucci, who envisioned a group of smart and elegant people rather than 'air crew'. Encouraged by the market response and the successful establishment of operations as per meticulous planning in the first year, they began implementing plans to rapidly expand their network. They added two more Boeing 737 aircraft, increasing the fleet to 6 aircraft and operations to 39 daily flights to/from 14 destinations. By the end of our 10th year of operations, Jet Airways had a fleet of 41 aircraft that operated over 250 flights daily. In the following 10 years, focus was laid on a measured and gradual expansion consistent with market requirements, and in 2011 reached another milestone when we took delivery of the 100th aircraft into the fleet. Today, the airline operates a fleet of 119 aircraft.

➤ **Connecting India to the World:**

They became the first private Indian airline to fly to international destinations, setting a benchmark for other airlines in the Indian civil aviation sector to follow. Chennai-Colombo was followed in quick succession by the launch of flights from Delhi to Kathmandu in May 2004. By late 2007, Jet Airways had opened new international routes to important tourist and business traffic destinations such as Singapore, Bangkok and London, and had flown over 75 million passengers!

The induction of newer, next generation aircraft enabled them to further upgrade their product offerings on the long-haul international routes and add more destinations to their network. In 2007, they had begun taking delivery of B777-300ERs and the A330-200s with their uniquely designed seating configurations, flat beds in Première and the individual suites in First Class on the B777-300 ERs. On August 5, 2007, Jet Airways commenced operations to Newark via Brussels, becoming India's first private sector airline to operate scheduled services across the North Atlantic quickly followed by another daily long-haul Trans-Atlantic flight to Toronto. Jet Airways had also introduced Brussels as its international gateway in 2007, making history by being the first Indian carrier to do so. By April 2008, international operations had expanded exponentially to include flights to Bangladesh, Belgium, Canada, Hong Kong, Nepal, Singapore, Sri Lanka, Thailand, United Kingdom and the United States of America.

Jet Airways' reputation as one of the fastest-growing airlines in the world was further enhanced in 2008 with a foray into the Gulf, which has proved to be an important sector for them due to the high trade and tourism between India and the Gulf region. They have steadily risen in the Gulf market and are today the largest private Indian airline to fly there.

The year 2013 saw Jet Airways forge a strategic alliance with Etihad Airways under the FDI Policy of the Government of India, where Etihad Airways held 24 per cent of the enlarged share capital of Jet Airways. An unparalleled first in the history of Indian civil aviation, this alliance created a combined network of 140 destinations, providing guests with access to international destinations as never before.

As aviation dynamics in Europe changed, Jet Airways took the decision of shifting its international base from Brussels to Amsterdam in the spring of 2016 in order to allow greater connectivity to its guests in Europe and America. The move to Amsterdam Schiphol Airport was a significant step for us and it demonstrated their continuous Endeavour to provide greater choice and better connections for guests – starting with two daily non-stop flights from its international gateways in Mumbai and Delhi, and a third later from Bengaluru as well.

In November 2017, Jet Airways went on to sign a landmark 'Enhanced Cooperation Agreement' for the development of operations between Europe and India, with code share partners Air France and KLM Royal Dutch Airlines. This was a first-of-its-kind association in the India-Europe market and an extension of their strong partnership between the three networks. Their valued guests could now choose from 64 weekly flights with multiple travel options from 106 destinations across Europe and 45 cities in India, as well as 200 destinations across North America, thus benefiting from a seamless service throughout Jet Airways, Air France and KLM Royal Dutch Airlines' networks as well as their code share partner Delta Air Lines. As they look back at the last 25 years, they feel a great sense of satisfaction and justifiable pride and humility at having grown from being India's best and most preferred domestic airline to India's premier international airline with direct flights to 65 destinations (45 domestic and 20 international) that span the length and breadth of India and beyond, as well as more than 450 destinations globally with their code share and interline partners.

➤ **At the forefront of New Technology:**

Their emphasis on cutting-edge technology was one of the key factors for their success. They realized early on that if they were to build an airline that is at par with the best in the world, they needed to be relentless in their pursuit to continuously innovate. After the first flight that introduced the Modern Generation B737-300 to India, they set out to upgrade their fleet with a clear focus on high-quality, reliable service.

In 2015, Jet Airways also placed its largest ever fleet order – 75 Boeing Max aircraft. The Boeing 737 aircraft type is the backbone of Jet Airways' fleet. The Boeing 737 MAX aircraft serve the airline not only to replace its existing fleet but also to equip it with modern and environmentally progressive airplanes thereby fueling the airline's expansion strategy to support its network and growth aspirations in the world's fastest growing aviation market.

Technology has also been employed every step of the way to enhance the travel experience for guests. Some of these include the pioneering concepts of satellite ticketing at corporate houses; e-ticketing; Jet Mobile (mobile ticketing); Jet Wallet (self-service GPRS booking channel in association with Vodafone); IVR booking (with e-tickets sent via email); automated ticketing at travel agents; mobile apps for Android, iOS, Blackberry and Windows ; Jet Advance (where guests have flexibility to advance their booking for a nominal fee); integrating Google Now into the booking system so that guests using the app can receive updates on upcoming flights and flight status. Similarly, a number of time-saving check-in options were introduced over the years, such as Web Check-in and Kiosk Check-in. In a first in the Indian market, 2016 saw Jet Airways roll out an in-flight entertainment service, Jet Screen that allowed fliers to now stream over 200 hours of digital content on smartphones, tablets or laptops for free. This new wireless streaming in-flight entertainment service offered guests an exciting range of Indian, Hollywood, regional and international movies, famous TV shorts, video games and music to suit every mood and taste. Today, Jet Screen offers our guests more than 330 hours of in-flight entertainment; to put that in perspective, if one were to watch all of it in one go that would be almost 14 days of non-stop content!

➤ **Jet Airways' Strategy and Operations:**

Jet Airways' strategy in the 1990s was to position itself differently from Indian Airlines, which was then the dominant player in Indian aviation. Indian Airlines had a wide network of destinations across India, along with a large and varied fleet of aircraft, the pick of flying slots at airports, and the valuable backing of the national government. Despite these advantages, the airline's performance was far from satisfactory. The airports and planes were badly maintained, the staff was indifferent (and sometimes rude) to passengers, and

operations were riddled with inordinate delays and cancellations. Despite this, the airline was profitable, as passengers wishing to fly had no other choice until the early 1990s...

➤ **Growth and Expansion:**

In January 2006, Jet Airways announced its intention to acquire Air Sahara for US\$500 million in an all-cash deal; however, the deal fell through in June 2006. On 12 April 2007, the deal was back on track with Jet Airways agreeing to pay ₹14.5 billion (US\$210 million). On 16 April 2007, Air Sahara was renamed as JetLite and was marketed between a low-cost carrier and a full service airline. JetLite became a wholly owned subsidiary of Jet Airways. In August 2008, Jet Airways announced its plans to integrate JetLite into Jet Airways. In October 2008, Jet Airways laid off 1,900 of its employees, who were later re-instated due to intervention from the Ministry of Civil Aviation.^{[48][49]} In October 2008, Jet Airways entered into an alliance with rival Kingfisher Airlines for code-sharing on domestic and international flights, collaboration on frequent-flyer program and sharing crew and ground handling equipment. On 8 May 2009, Jet Airways launched another low-cost brand, Jet Connect. It operated a fleet of Boeing 737 Next Generation and ATR 72 aircraft and operated on profitable short-haul routes with higher passenger load factors.

➤ **Fall from Grace:**

When Goyal and his wife, Anita, started Jet in 1993, state-run Air India was the only formidable opponent, and the country's aviation market was just taking off. Goyal's pitch was ensuring the country's biggest private carrier had impeccable service - a world-class product built in India.

Jet's problems began when it embarked on an aggressive international expansion plan, said an industry executive who has been associated with the airline.

The carrier ordered 22 wide-body aircraft for delivery over about 18 months, starting in 2006, depleting cash.

Then Jet bought a struggling Indian airline called Sahara for 14.5 billion rupees (\$209 million) in 2007 that had an ageing fleet and did not fit Jet's corporate culture.

Meanwhile, a newcomer, low-cost carrier IndiGo, had begun chipping away at Jet's market share with cheap fares.

In 2013, Jet was close to running out of cash, but survived collapse when Abu Dhabi's Etihad Airways bought a 24 percent stake in the Indian airline. As part of the deal, Etihad also bought three pairs of Jet's landing slots at London's Heathrow airport and 51 percent stake in its frequent flyer program.

To compete with low-cost carriers, Jet has lowered prices without reducing its expensive services. High fuel prices and hefty taxes have compounded the spending issues.



➤ **Fall from Grace: Phase -I**

1900 Employees Sacked and Then Reinstated:

Jet had been constantly incurring losses since 2007-08. "Buying Sahara was a big strategic mistake by Jet. This happened at a time when Jet was growing aggressively on the international front and facing tremendous competition in local market", said the India head of the Centre for Asia Pacific Aviation (CAPA). The first sign of real trouble in Jet became apparent in 2008 when Naresh Goyal entered into an operational tie-up with arch rival Vijay Mallya's Kingfisher.

Sacking of 1900 employees:

This step was followed by Jet sacking 1,900 cabin crew members in October 2008, all probationary and temporary workers, across all categories and departments. It was justified as an attempt to switch to leaner business models and cost-optimize the business operations of the airways. According to Jet, the layoffs were "unfortunate" but "unavoidable" because "everybody is bleeding" as the cost of business has gone up by 30 percent and the alliance is aimed at reaping "maximum synergies." "The economic viability of the industry has been severely affected by the record high fuel prices and most recently due to the crisis of the financial

markets globally and the downturn in traffic," Jet Airways said in a statement. "Jet Airways expects these difficult market conditions to continue." Jet Airways CEO Wolfgang Prock Schaeu and Executive Director B Saroj Datta held a press conference in Mumbai where they explained the company's decision to terminate the services of company employees.

"It is an unfortunate decision, which all of us in the company regret. A total of 1,900 people are being served separation notice. 800 have already been served notice. In the next few days the others will also be served notice. It is an attempt to save the jobs of remaining 11,100 employees," said Dutta at the airline's headquarters in Mumbai. He said the decision to terminate the employees had nothing to do with the alliance entered into with Kingfisher. "It (alliance) has nothing to do with the workforce of the companies. These are independent decisions of the two companies." It resulted in a severe backlash not just from employees but also from the government, political parties and regulatory bodies who forced the airline to take back the sacked people. It was in fact an example showcasing the importance of managing stakeholders in a change management plan. Some commented on the manner in which it was conducted-employees waiting at home for office transport found that the vehicles never came; when some of them reached the airport on their own, they discovered that their jobs were in jeopardy.

Reinstatement of 1900 employees:

Jet Airways chairman Naresh Goyal, in a dramatic press conference late on Thursday night, said his airline would take back each and every one of the 1,900 sacked Jet employees because he understood their pain and "would not be able to sleep peacefully" if he did not reverse the retrenchments. *"I apologize for all the agony that you went through,"* Mr Goyal said, his statements directed at the retrenched staff. The volte face caught everyone by surprise. Jet Airways Chairman Naresh Goyal reinstated the employees a day later saying that he was not aware of these sackings. *"I was not there when this decision was taken. I came to know about it later."* *"I have not been able to sleep all night. I apologize for what has happened,"* an emotional Jet Airways Chairman Naresh Goyal told reporters at a late night press meet. "I request all of you to start work from tomorrow morning," he said. Goyal said his conscience did not allow economic consideration to be the reason for sacking employees. "When I saw the tears rolling down some of the workers face I was moved. I cannot see you all unhappy. My workers are like my family members," he said. "It is my personal decision as father of the family". The company had said it was forced to trim staff to cut its losses but Goyal claimed that he had not been consulted before the Jet senior management ordered the retrenchment. This statement was contradictory to the earlier ones and puzzled quite a few analysts. The Indian aviation industry was going through a tough phase and experts felt that it was in the interest of the company to retrench employees to remain competitive. Experts largely felt that Goyal had capitulated under pressure from external parties while others felt that all may not be well with the organizational communication mechanisms at Jet.

"While the mishandling of the Jet Airways sacking and reinstatement of 1,900 employees was an HR and PR disaster, the larger implications of what happened are also worth considering. It is not just that the chairman of India's most successful airline became the butt of jokes, it is also a question of what he knew, when he knew it, and who did the bungling." - Anjali Bhargava, Columnist, Business Standard, October, 2008.

"The sackings were completely illegal. There was no notice nor was government's permission taken to sack 1800 employees. Perhaps they realized their folly and decided to take these employees back. The matter would have landed in the court." - Anand Pujari, Labour lawyer, SI Joshi & Co. in October 2008

➤ Fall from Grace : Phase -II

Formation of the NAG :

The retrenchment and then the reinstatement saga had bred insecurity among the employees. The airline pilots did not have any union and being contract employees could be shown the door anytime. It was reasoned that the current financial crisis may badly affect the lives of the younger pilots who may be laid off any time as the mass sacking had indicated. This led to the formation of the National Aviators Guild the NAG. On July 24 2009, the NGA -National Aviators Guild- was registered by the Regional Labour Commissioner. Captain Sam Thomas and one of his colleagues played a significant role in the formation of the Union.

What does the law say? :

The right to form a Union is the essence of any socialist state (including India) and apart from the Constitution; it has also been codified in the Trade Union Act, 1926. The crucial point is that it uses the word

'employee' rather than 'workmen'. The management obtained an *ex parte* order from the Bombay High Court by virtue of Sections 22 and 23 of the Industrial Disputes Act restraining the NAG from striking. Further, since the matter was pending before the Labour Commissioner, it was asked that the dispute be resolved via that medium as soon as possible. It was strongly rumored that the Centre was planning to invoke the Essential Services Maintenance Act (ESMA) - a law used in an extremely rare situation to compel the pilots to fly or else face criminal prosecution. Elsewhere it was reported that the Centre and the DGCA were planning to move an Amendment to the Industrial Disputes Act, 1947 to remove airline pilots from the definition of workmen from the Act. This could ensure that they can never legally form unions and go on strikes.

The Email Announcing the Termination of Service:

On July 31, 2009, the two senior pilots of Jet Airways, who were both office-bearers of the newly formed NAG, were dismissed. They were sent a single-line e-mail stating that their services were terminated with immediate effect and no reasons were assigned for the same. Management alleged that the two captains went around coercing pilots into signing the union membership form. The pilots on their part maintained that their request for discussion and representations were ignored by the management. According to the pilots their appeals fell on deaf ears; NAG issued a strike notice on August 24, 2009. Jet's Executive Director Saroj Datta stated that the reason behind sacking pilots were internal disciplinary issues and the lawyers were duly consulted before the sacking of pilots. The pilots had gone on mass leave without making any attempt to talk with management, he said, adding, that the move resulted in disruption of operations and caused huge losses to Jet. On his part, Thomas, the joint secretary of NAG said, any sacked employee deserved an explanation and he was not given any for his retrenchment. By not officially calling it a strike, Thomas said the pilots were still within the law.

Discussions and Negotiations:

Talks between the pilots and the management failed to resolve the crisis and the deadlock continued. The striking pilots continuously demanded the re-instatement of their sacked colleagues. Meanwhile news reports filtered in that pilots of Jet Airways had skipped a scheduled meeting with the management of the airline as the imbroglio entered its third day. According to a news report, pilots were quoted as saying that they were not informed about the meeting in advance. The meeting was to be mediated by the Central Labour commissioner. The two parties were also scheduled to meet the Labour Commissioner in Mumbai where a case relating to sacking of the two senior pilots was pending. According to reports, the pilots union was unwilling to meet the management and held a meeting to chart out future course of action. Capt Sam Thomas, Joint General Secretary of National Aviators Guild, which was spearheading the agitation, claimed that overall 500 pilots have reported sick. "There are no talks so far. We have not got any invite from the management side showing their willingness to talk to us," he claimed. The pilots maintained that they would not return to work until the management took back four colleagues who were sacked. Two of them were allegedly shown the door 45 days ago for forming a union - the National Aviators Guild (NAG) - while the other two were sacked as the protest action began.

The four-day strike had led to the cancellation of nearly 700 flights, costing hardships to over 28,000 passengers. The stalemate between the striking pilots of the Jet Airways and its management failed to come to an end even on the fourth day as talks held between the two factions remained inconclusive. The next round of discussion was expected to take place on Saturday in Mumbai, said television reports on Friday evening. Conciliation talks between agitating Jet Airways pilots and the airline management were held in the national capital before the Chief Labour Commissioner to break the deadlock that has severely disrupted flights across the country. Besides Chief Labour Commissioner S K Upadhyay, the talks were reportedly being attended by Jet executive director Saroj Dutta, CEO Hafiz Ali and head of operation Captain Mohan. The pilots' body National Aviators Guild (NAG) was being represented by its president Captain Girish Kaushik and Captain Sam Thomas. The conciliation meeting under the auspices of the Labour Commissioner on August 31 did not produce the desired result and the management was asked to furnish the reasons for the sacking of the two pilots by September 7. They failed to comply and the Labour Commissioner fixed the next meeting for September 14.

A few days later Jet terminated the services of a few more senior captains and also obtained a Contempt of Court order from Mumbai High Court, on September 9, 2009. This move actually firmed up the determination of the pilots to keep close ranks in support of their dismissed colleagues. Goyal further incensed the pilots association when he referred to the pilots as terrorists; that they were holding the country

to ransom and announced that he would bring in foreign pilots to cope with the situation. "I am open to meeting and talking to the pilots. I will be more than happy to meet them. But they cannot harass the passengers," the airline chief said. "We won't tolerate such blackmail. The livelihood of more than 30,000 employees of Jet Airways is at stake," the airline chief said. The NAG withdrew the strike notice on the evening of September 7, 2009 but the members were agitated that the two pilots had not been reinstated. More than 300 of them reported sick. The only demand of the pilots' union was to reinstate the two pilots. Instead, the management used a battery of high-profile lawyers to obtain a stay from the Mumbai High Court. Meanwhile, air travelers were facing a harrowing time as the airline cancelled over 200 flights. Jet cancelled 21 international flights operating on South East Asia sector to Bangkok, Hong Kong and Singapore. The airlines services to Gulf countries, the US and Europe were also badly affected. In Delhi, about 15 flights remained cancelled by virtue of flight cancellations and unavailability in other flights. The NAG at the same time filed petitions in the Chennai High Court against Jet Airways on the hiring of expatriates for the job. On September 10, a public interest case was filed in Chennai High Court, highlighting the flight safety issues in the procedure for issuing permits to foreign pilots, who get preferential treatment over Indian pilots.

➤ **Fall from Grace : Phase -III (August- 2018)**

What exactly is happening at Jet Airways:

The news of Jet Airways NSE -2.73 % telling its employees to take salaries cuts has sent shock waves in the sector. Most airlines are battling challenges on the profitability front but the salary cuts at Jet have highlighted the problem starkly. Jet has informed its employees that the airline would not be able to operate beyond 60 days unless cost-cutting measures, which include pay cuts, are put in place, according to ET report that cited sources.

What actually happened?:

Jet Airways has informed its employees that they would have to take an up to 25% cut in their salaries as cost of operations for airlines is increasing on the back of rising crude and a falling rupee. Salary cuts are in the range of 5% (for those earning Rs 12 lakh annually) to 25% (for those earning Rs 1 crore and above) starting this month. Jet said senior management had already taken pay cuts. This decision hasn't gone down well with the pilots, who have not agreed to a pay cut in a market that is struggling with a huge deficit of pilots, especially commanders. In a similar move last year, the airline had reduced the salaries and other benefits of about 350 junior pilots by about 30% from August.

Why the pay cuts :

The airline says pay cuts are part of its cost-cutting exercise. "As part of its cost rationalisation measures, the airline continues to evaluate all initiatives to achieve greater business efficiencies. Payroll is one of the important components of cost structure and the senior leadership has undertaken a reduction in salary to lead by example," the airline told ET.

In a statement, the airline said it was focusing on creating a healthier and more resilient business and that it had been implementing several measures to cut costs and raise revenue margins. The airline has also said that that it was committed to sustainable growth and was planning to add 225 B737 MAX aircraft. At least 11 of these aircraft would be inducted this year, it said.

Jet has refuted "speculative comments from certain vested interests", terming them "deliberate attempts to undermine Jet Airways' transformation efforts".

Profitability challenges:

After two consecutive years of profits in fiscal 2016 and 2017, Jet incurred losses of about Rs 76 crore during FY2018. Industry analysts say it is likely to report a loss of Rs 1,000 crore in the first quarter of the current fiscal. Jet is not the only carrier that has witnessed a decline in profitability. IndiGo NSE 0.23 %, India's largest carrier by passengers flown, has reported a 91% drop in profits. The bottom line of airlines is getting hit due to high cost but lower yields in India, which is the largest growing market in terms of passenger growth on the globe. Analysts say fall in yields is due to airlines not being able to charge a premium on fares booked at the last minute.

➤ Fall from Grace : Phase -IV , (April 2019)

Out of the frying pan, into the fire:

At the time of the grounding, Jet had near about 20,000 employees — some report put the number at 23,000 — many of whom haven't got their salaries for months on run. Apart from regular employees, the airline also had thousands of outside workers linked to its operations.

A good many top executives are among thousands of Jet's employees lining up at the job market after the airline stopped its operations and its CEO admitted that he "didn't have an answer as to the fate of its 20,000 employees."

HR and recruitment companies like Team Lease and ABC Consultants have confirmed the rush of jobseekers who once were Jet employees. More than 1,300 pilots are now out of job after the airline halted operations on April 17.

According to a PTI report, the officers & employees union of Jet has demanded intervention from the government to stop a Kingfisher-like situation, where the staff never got pending salaries after the airline wound down.

CXO salary packages are more than Rs 1 crore a year without ESOPs. Mid- to senior-level staff take home anywhere between Rs 35 lakh to over Rs 1 crore per year, HR company insiders have revealed. The top talent at a firm are the first to know when the business is going down. So why did Jet's top execs dither? "In this case, they were waiting and watching till the end for a stronger leadership as part of the much anticipated takeover," ET's Prachi Verma quotes an HR analyst as saying.

Exports: Jet, Set, Wait...

Many businesses associated with airline industry — such as vendors, in-flight caterers and hotels — have taken a huge hit. The airline already owes Rs 3,500 crore to these companies.

The grounding of Jet — which had the highest capacity for cargo and accounted for 50% of exports from Mumbai to London, Amsterdam, Paris and Singapore — has badly impacted the export of fresh fruits/vegetables.

The shutdown has specifically hurt fresh produce exports to Europe, especially the UK. 50 tonnes of veggies were being shipped daily from Mumbai to London. Jet, which operated three daily flights on that route, had a majority share in this trade. Its second largest share of shipping — volume wise — was on the Emirates (via Dubai) route.

With Jet down, freight rates have shot up significantly from the earlier average of Rs 75-80 per kg to well over Rs 100, reports have revealed. That has left exporters unable to meet their volume and price commitments with buyers. Dramatic reduction in capacity has more or less hit all major export items.

The money in your A/C:

Another big impact is likely to be seen in savings. Jet owes Rs 8,500 crore to lenders. Potential investors are now asking them to take an up to 80 per cent haircut on the debt. It means even if the lenders find a suitable buyer, they will probably take a huge hit.

It queers the pitch for the banks' plan to recover some of the debt by selling the airline. Now the question is: where will the banks recover all this money from?

Answer : Customers like you and me, although indirectly.

Also, all ticket-related transactions by the airline now stand suspended, which has led to cancellation of tickets for thousands of flyers. They will now have to wait for a refund indefinitely.

Share prices tell a story :

Jet's share price has been on a sharp downward slide ever since it became clear that the airline would go down. The long-term downtrend holds despite a bit of a recovery over the last few days.

Overall, latest movements in aviation stocks have a story to tell. While Jet Airways languishes, shares of rival airlines such as IndiGo and SpiceJet are skyrocketing. InterGlobe — which runs IndiGo — and SpiceJet have become globally the most expensive airline stocks, having soared amid Jet's sinking.

The Jet share price blow will be telling on not just those who hold Jet shares. If the mutual fund you invested in had bought into these shares, you too will stand to lose money along with your fund.

[Source : Content of above case study is based on secondary data collected through various sources]

