



## Jet Airways Crisis

### Description

#### Theme :-

- Jet Airways announced a temporary shutdown of its services in April 2019, because it doesn't have anymore funds to operate the company.
- It has the debt of Rs. 8500 crores. So, banks are not at all ready to release more funds to the company.
- It didn't pay salaries also for its staff since January 2019. So Jet Airways, which was the second largest airline in India till recently is now in a crisis.

#### Causes of Jet Airways crisis :-

- Jet Airways is a full service airline, which it offers meals and other comforts in the ticket price. Since the year 2000, low cost airlines came to market. These low cost carriers will charge customers for meals and extra services. And they follow low-cost model to reduce operational costs. For example, some low-cost airlines have secondary source of income such as advertisements and they follow dense seating arrangement with less legroom. So they started offering seats at low fares. And to cope up with the competition, Jet Airways also had to reduce ticket prices. And hence Jet Airways was making losses. When we consider all the operational costs, for every ticket it sold, its expenses are more than its revenue. So, with time, the debts increased.
- This is not just a problem of Jet Airways, even low-cost carriers are running on thin margins . Even the largest airlines of India, IndiGo is making very little profit. High costs and low fares is crippling Indian aviation industry.
- We can attribute the crisis in the Jet Airways to the mis-management. Had the company taken steps to make it profitable, this situation would have been avoided.
- In 2007, when Air Sahara was in crisis, Jet Airways bought it and rebranded it as JetLite. But this did not work out well with Jet Airways. So, this can also be termed as one of the causes for the Jet Airways crisis.
- Moreover, high fuel costs are contributing to the high operational costs in aviation industry.



**Present situation :-**

- SBI led consortium is looking for an investor for Jet Airways.
- Other airline companies are hiring the employees of Jet Airways as they are now suddenly unemployed.
- Salaries and other payments are still pending since January 2019.

**Way Forward :-**

- Liquidating may not be a good option, because Jet Airways do not have much assets. Selling these assets cannot repay the debts. So, this is a last option for lenders.
- Reviving the company can yield positive results, because till recently Jet Airways is the second largest airlines of India, so, it's not a failed company. It's just that some mistakes caused this crisis. So, by making some changes, Jet Airways can be made profitable. And the demand for aviation market is increasing. So, to catchup with it, supply should be there. And competition is also needed to keep the prices in check.
- But releasing more funds to operate the company without restructuring it, will only result in cash burn. So, everyone is in the hope that Jet Airways will be able to find investors to revive and to get the company back on track.
- Banks should release funds to pay at least one month of salaries for Jet Airways employees as per the demands. Because it is morally incorrect to stop pending salaries. And the payments are necessary to retain the employees. Moreover, pending payments may deter investors from taking over the company.

**Conclusion :-**

Let's hope that the oldest private airlines of India will be able to revive in the coming days. And Jet Airways crisis is like a wake-up call for the aviation industry of India. Steps should be taken towards making airlines a profitable and sustainable business.

**Your Turn...**

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