

Impact of Covid-19 in Aviation Industry

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Abstract

The covid-19 pandemic in 2019-2020 ushered in a new turbulent and chaotic global environment where governments not only placed temporary restrictions on people's movements, but also mandated limits on business activities. However lacking in the contemporary scholarly discourse is a deeper understanding of how businesses respond to such pandemics. In this research note, a conceptual framework of firm's responses has been studied. Using the global airline industry, the analysis delineates strategic reactions to the pandemic and decisions and implementations, and the revenue loss occur during covid-19 also studied.

Keywords: Airline industry, Covid-19, Reactions, Revenue loss, Strategic decisions and implementations

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Objectives :

1. To examine the revenue loss occur during covid-19
2. To analyze the reactions in airlines industry during covid-19 crisis
3. To examine the strategic decisions and implementations during covid-19

Research methodology:

This study considers impact of COVID-19 in aviation industry. The data is collected through various magazines, news papers, articles, and government websites for this study.

I. Literature review:

1. **Sascha Albers and Volker Rundshagen**, Airline reactions to the COVID-19 crisis in the spring months of 2020 along the typical crisis response strategies of retrenchment, persevering, innovating, and exit oriented. While retrenchment is the most immediate response strategy, persevering is an alternative, innovating refers to strategic renewal of the organization, and the exit, refers to the discontinuation of business activities.
2. **Joseph Amankwah- Amoah**, A conceptual framework of firms' responses is advanced. Using the global airline industry, he analyses the delineates a host of internally generated and externally imposed firms' strategic and tactical responses to the pandemic. The analysis demonstrate that in responding to crisis, many airlines minimize the market capabilities, route networks, access to airports and customer relationships. He focused on the operational considerations to help halt the transmission of covid-19
3. **MajdoulineMhalla**, She describes the spread of the disease in china and the world and impact on the world economy focusing on two major industries the oil and the aviation industry. The coronavirus scale is larger compared to any epidemic in the past due to its high contagion risk and asymptomatic cases.
4. **AnshuAgrawal**, The cost structure of airlines in India is believed to be highly bloated with ATF taxes, landing and parking charges, which are perhaps highest in India. Apart from massive losses attributed to suspended operations, industry foresee a grim recession ahead. Restrictive movements and destinations, truncated consumable income, decline in tourism, and fear psychosis are expected to significantly curtail the passenger traffic for the current fiscal or perhaps longer.
5. **Megersa Abate, PanayotisChristidis, and AlloysiusJokoPurwanto**, Government support measures to the air transport sector the outbreak of the coronavirus disease. The medium- term perspective of aviation is break, since air travel is likely to be affected by a decrease in demand for tourism and for business travel at least until the end of 2021. Government support in three dimensions relevant to air transport policy, competition and liberalization, airline ownership and control, and environmental sustainability.
6. **Nisthashrestha**, The effect of globalization were operationalized in terms of mobility, economy, and healthcare systems, food agriculture, Academic institutions. Globalization has emerged as an essential mechanism of disease transmission.

II. ANALYSIS

1.The revenue loss occur during covid-19:

The aviation sector in India currently contributes \$71 billion to GDP. India has 464 airports and airstrips, of which 125 airports are owned by Airport Authority of India(AAI). These 125 AAI airports manage

close to 78% of domestic passenger traffic and 22% of international passenger traffic. There are currently 39 airlines operating in India including scheduled, regional, chartered and cargo airlines. Global airlines faced combined losses of \$118.5 billion in this year, deeper than the \$84.3 billion forecast in June, and \$39 billion next year. Passenger numbers are forecast to fall 60% on last year to 1.3 billion.

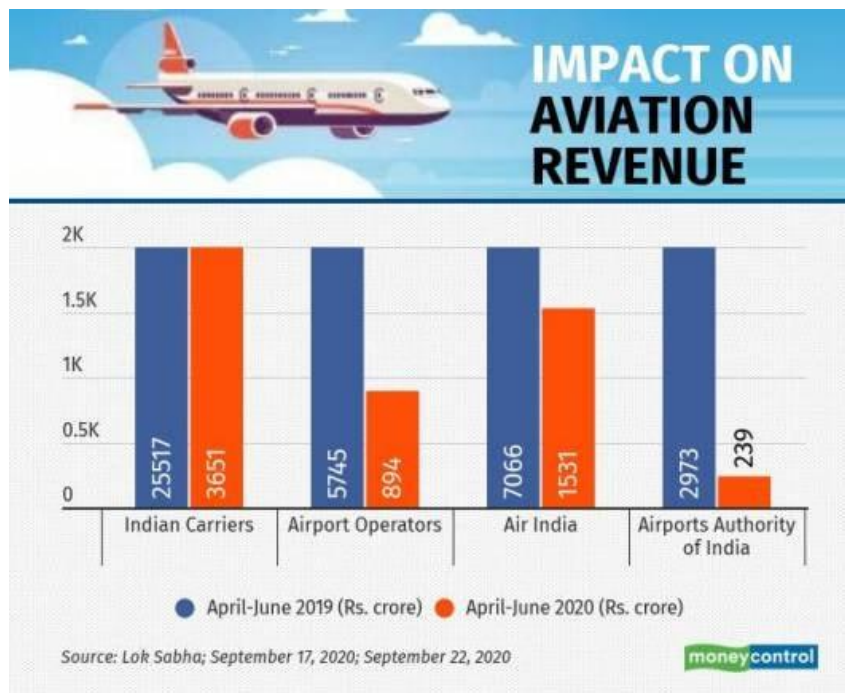
The airport authority of India reported a 92% fall in its revenue from 2,973crore during April-June 2019 to 239crore in 2020. Nearly 39,200 special repatriation flights took nearly 5.4 million citizens in March 2020. And 46,400 special cargo flights transported 1.5 million tonnes of cargo, mostly medical equipment, to areas need during the height of the pandemic response.

The airlines operating cost structure consists of nearly 30 to 40% of fuel cost, 15% lease rental, nearly 25% for other operating expenses. Per day loss of suspended operations for 24crores, followed 9.2crores for SpiceJet, 5.83crores for Go Airlines and 3.1crores for Air Asia based on the 2018-2019 estimates.

CAPA estimates that 50-60 million passengers –40-50 million domestic and less than 10 million international—would travel in 2020-2021. Approximately 205 million air passengers—140 million domestic and 65 million international in 2019- 2020. CAPA India projected in October that the Indian aviation industry will lose a combined USD 6-6.5 billion in FY21, of which airlines will account for USD 4-4.5 billion. CAPA India estimates that Indian carriers will require a domestic fleet of around 300-325 aircraft from October 2020 onwards, and an international fleet of 100-125 aircraft.

particulars	before covid-19(average)	during covid-19(average)
contribution to GDP	\$72 billion	\$35 billion
number of airlines operating	39	15(appr)
net profit/ loss	\$29.3 billion	\$118.5 billion
domestic passengers	78%	45%
international passenger	22%	13%

Post the lockdown, the Indian aviation industry is losing almost 75-90crore on a daily basis. This assessment was presented by ICRA, a banking and credit rating agency. There has been an overall loss of \$3.3-3.6 billion, that has period of been incurred by the Indian aviation sector, which includes, airports, airlines and ground handling agencies during the period of April-June 2020. According to the International Air Transport Association, airlines globally can lose in passenger revenues of up to \$113 billion due to this crisis.



The revenue of Indian carriers declined by 86%, airport operations witnessed an 84 %drop, and Air India reported a 78% fall in revenue during April-June 2020, over April-June 2019.

2.Reactions in airlines industry during COVID-19 crisis:

India is the third largest domestic civil aviation market in the world. Currently, the Indian airlines are operating domestic flights at around 80% of their pre-COVID levels. The domestic services are expected to reach their pre-COVID levels by March 2021.

Airport revenue generation is directly linked to traffic levels. The flight bans and cancellations are leading to less flights, hence less aeronautical revenue coming in. Unlike other players in the aviation industry, when traffic demand falls, airports have limited ways of reducing costs. The cost of operating airport infrastructure remains the same, and airports can't close down or relocate terminals and runways. With a number of airports now having zero or near-zero passengers travelling through their terminals. At the same time, airports are working hard to remain open for critical services, such as repatriation flights and the increased number of full-freight flights, but also air ambulances, HM Coastguard, military flights, life-line services to remote communities, flying crew out to the oil and gas rigs in the North Sea and supporting maintenance of offshore wind.

2.1.Crisis responses:

In response to situations where there is a threat to core values, urgency to take action, and uncertainty concerning the situation and courses of action. These conditions bring crucial leadership challenges associated with decision making, public information, sense making, accountability, learning, and reform but also require broad collaboration and coordination involving multiple individuals and organizations.

- Public policies, including the content of previously and newly adopted public policies
- The interactions of individuals, groups, coalitions, and networks
- Contextual conditions, including income levels, local interactions, and global-level decisions



2.2. Responses occur at strategic and operational levels:

- The operational level refers to on-the-ground decisions and behaviors and includes medical personnel, epidemiologists, emergency managers, and other professionals coping with the pandemic's immediate threat.
- The strategic level includes political administrative leaders that carry political responsibility and make strategic decisions, provide public accounts of events, and support coordination and collaboration.

3. Strategic decisions and implementations during covid-19

The first priority of all our members is the health and safety of their people and passengers. The airports are working very closely with the government to make sure that the latest health and safety advice is followed, and we are seeing strong coordination on the ground between airports, airlines and government. While that coordination is an important part of day-to-day airport operations, it has been absolutely essential when supporting the governments new travel restrictions and screening measures.

To deal with preventive measures, airport staff are being redirected to handle things from temperature screening and collecting health declaration, to adjusting the airport infrastructure, reserving specific parking gates for flights coming from severely-impacted countries and creating triage areas. To deal with the impact, airports are needing to find space on the tarmac for parked fleets.



3.6. Some measures taken by the government to support the aviation industry:

- Domestic air services resumed: Initially only 33% of the summer schedule for 2020 was operationalized. This was subsequently increased to 45% on June 26, and to 60% on September 2.
- Operation of Regional connectivity scheme: UDAN flights were allowed without many restrictions.
- Exclusive air- links(temporary arrangements) established with countries like Afghanistan, Bahrain, Canada, France, Germany, Qatar, Maldives, the UAE, the UK and the US for restarting passenger services as regular international flights remain suspended.
- Promoting private investments in existing and new airports through the PPP route.
- GST rate reduced to 5% for domestic maintenance, repair and overhaul services
- Encouraging Indian carriers to increase their share in international air- cargo traffic

III. CONCLUSION

we now understand how this COVID-19 pandemic has had a severe impact on everything and how governments all around the world are trying their best to tackle this on a war footing. In this paper, we have seen how the pandemic affected the aviation industry. We studied three major key elements of aviation industry and the information selected by various sources. The key elements are revenue loss occur in aviation industry during COVID-19 pandemic and the reactions are taken by the airline industry during pandemic and the decisions implemented by the aviation industry. And we also studied government support to the aviation industry during COVID-19 pandemic.

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