

## THE FALL OF WORLD'S BEST AIRLINE: A CASE STUDY OF AIR INDIA

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### ABSTRACT:

The paper highlights the causes of the downfall of Air India that how the world's best airline got badly spoiled. The milestones and major issues faced by Air India in Indian aviation industry are discussed. This study basically based on secondary sources of data. We used the content analysis method in this case study. Finding suggests that the main cause of the downfall of Air India is Incompetent people at the top. They couldn't make the right decisions because they lacked knowledge and they didn't have much experience. And neither did they have the motivation to make the right decisions. That's why Air India story is less about the success and failures of privatization versus nationalization and more about improper management and bad decision-making. Which can be seen in a private company as well as a nationalized company. In the end, it was also discussed how this company got back to its owner (founder) again.

**Keywords-** Airlines, Civil Aviation, Privatization and Nationalization, Tata group, Air India

### INTRODUCTION:

You won't believe it, but there was a time when air India was considered one of the best airlines in the world. The level of luxury travel, world class food and the interior decoration of the plane was so amazing that even Singapore airlines took inspiration from air India. But today, the situation is so terrible that after hundreds of million in losses, the government is focused to sell of this airline, to privatize it.

Why did it happen? Exactly and how did air India become an exalted air lines at one point in time? Let discuss about it in this paper.

### India's First Flight:

"Of India's several airlines, the largest, Air India, was Tata controlled. Operating over 6,000 miles of routes, it has built up an excellent reputation for efficient operation. Established in 1932, the airline connects the large cities of India, and then maintains international service reaching London." "Jet travel has brought East and West close together. Now the passenger crossing the Atlantic, has the beauty of the Orient at this elbow. Giving him the comfort that air travel is expected."

This isn't the story of only Air India's history. Rather the history of the country's civil aviation. 1903 was the year, when the Wright brothers flew the first airplane of the world. About 8 years later, in 1911, the first airplane was flown in India. Its pilot was a Frenchman, Henry Pequet. The flight from Allahabad to Naini lasted 15 minutes and carried thousands of letters. Yes, this is true the first flight in India was actually carrying mail. It was carrying letters for the Maha Kumbh fair. About 20 years later, on 15<sup>th</sup> October 1932, Jahangir Ratanji Tata (JRD Tata) flew the first Air India plane from Karachi to Mumbai. Then it wasn't called Air India. Its name was Tata Airlines at the time. His first flight was very historic but it wasn't easy for him to achieve this. He had to go through many struggles. 3 years before this, JRD Tata became the first Indian to acquire flying licence. Flying planes was his passion. It was his dream. In fact, he had even participated in a contest in which he flew an airplane from India to England. But he had another dream. To bring civil aviation to India. Civil aviation meant giving the commoners the opportunity to fly in an airplane. But it wasn't easy to do this. To do this, cooperation from the government was needed. During the 1930s, India was under British Raj and the British government obviously not very helpful. As you can imagine, they saw no profits in paying JRD Tata or giving him subsidies to enable him to fly him domestic planes in the country.

At the time Sir Dorabji Tata was a prominent person and he agreed to invest in JRD Tata's dream. Tata tried a lot to make the British government agreeable. The government rejected all of his offers. Then one day he went to the British government and told them they didn't need their money, and that they would donate their services they only wanted some aircraft and permission to fly those aircraft. And finally, the British government agreed to it and thus the Tata Airlines was born in India.

### **Birth of Tata Airlines:**

After this, the Tata airlines flight was flown from Karachi to Bombay. Carrying letter of weighting 25 kg. Obviously, JRD Tata piloted this flight. In the same year, Tata airline started domestic flights operation for the passenger. Then, one return ticket from Bombay to Madras cost Rs256. 1946 was the year when Tata airline was renamed Air India. In the same year, Air India become a public limited company. A company, in which even you and I can purchase share. In 1948, when India was already independent the new Indian government bought 49% of Air India. At the same time, JRD Tata started Air India International for international flights.

### **Nationalization of Air India:**

The next major change was 1953. It was a disheartening event for JRD Tata. The Indian government decided that the entire airline sector of India would be nationalized. Meaning all the Indian airline companies would become government-owned. The government then merged 8 domestic airlines into 1, and Indian airlines was thus created. Additionally, the government had also nationalised air India international. It became a public sector unit, owned by the government. The nationalising major sectors in the 1950s was a major policy of the Nehru's government. The objective of the government was to support these industries so that there could be progress in the country. But it means also meant that the private businessmen and investors, lost their opportunities. As you can imagine, the industrialists and the large businessmen in the country weren't happy with this decision including JRD Tata. This part of story is very interesting, this part because JRD Tata and P. Jawaharlal Nehru were good friends, Nehru always encourage scientific progress in the country, and was very happy to see how air

India had changed the civil aviation in India. JRD Tata also admired Pandit Jawaharlal Nehru a lot, but when the government passed the air corporations act, 1953 through which air India was nationalized, JRD Tata saw it as a betrayal. He clearly disagreed with P. Nehru's this decision. JRD Tata's opinion on nationalization was always against it.

“Nationalization of industries, the way it is done, those considerations made me oppose the nationalization of industries. Though, quite accepting the fact that some industries, some activities must be done the state.”

Whenever JRD Tata talk about it with his friend Nehru, Nehru would look the other way. “And then I would try to bring the conversation to economics nationalization, bureaucracy, he was not only not interested but he wasn't willing even to talk. The moment I began something, he'd turn around and look out of the window and I got the message.”

Later pandit Nehru wrote a letter explaining why the decision was taken. He said that the congress party wanted to do it for over 20 years but couldn't do it. The government wasn't actually against Air India but Nehru did feel that it would be better for the country to nationalise it. Even though JRD Tata was against it, he couldn't do anything against the government's decision. Air India was finally nationalized. But one thing that needs mentioning, JRD Tata still remained a part of Air India, He was made the chairman of Air India International And he became the director of Indian Airlines.

### **Glory days of Air India:**

“Caviar on ice. The finest steaks, champagne, a menu prepared by the chefs of the Taj hotel. Grand lounges, designed by the artists of shanti Niketan.” Had you travelled in Air India in the 1950s and 1960s, then description such as these would have been used for your journey. Air India known as a ‘palace in the sky.’

Luxury travel, world class food, such that international airlines like Singapore airlines took inspiration from air India. The credit for these goes largely to JRD Tata. It's said that he would flying in Air India's flights, to ensure that the services ran efficiently. If he saw any imperfections like a dirty corner, he went and clean it himself. If we were to talk about JRD Tata, he was a phenomenal personality.

Air India's fame is perhaps incomplete without mascot. The Maharaja, Maharaja was conceptualised in 1946, by Bobby Kooka. The commercial director of the airline then. Over the years, Maharaja is depicted in other cultures and countries. Showing that Air India carries its passengers all over the world. During the 1960s and 1970s, Air India wasn't an airline, it was a representation of India. How our country was viewed on the international stage? Air India was associated with hospitality, Indian culture, food and even Art. Talking about art, did you know about Air India's art collection of more than 8,000 works? Paintings, textiles, sculptures, glass paintings, they have collected this collection over the last 60 years. And this was a calculated move. The thing is that there weren't many international airlines at the time, so the airlines competing against Air India, were giving it a stiff competition. Air India had to do something to stand out as an airline, to be different from others. To do this, the advertisement department of Air India decided to reflect Air India's identity by displaying Indian art and artefacts in their airplanes and lounges. The most famous artist around the world, of the time, were commissioned to create artwork for Air India. Like in 1967, Air India commissioned the world-renowned artist Salvador Dali to create a special ashtray for Air India's customers.

These are the stories, that show how special Air India used to be in its time. The Indian fliers were often very loyal to Air India. And that makes it even more shocking how the

situation could worsen so much. Why Air India fail in the last 20-30 years?

**The Downfall:**

In 2007, Air India and Indian Airlines bore losses worth Rs5.41 billion and Rs2.31 billion respectively. But since both airlines were government-owned Public-sector Units, this loss of the airlines had to be borne by the government. The government decided to merge both airlines into one. Hoping that these losses would cease. But instead, combined company, National Aviation Co. Of India Ltd (NACIL) incurred losses as well. Why was it so? Why were the Airlines at a loss? Some of the reasons are quite straightforward and fact-based. For example, when this merger took place, before this merger, the government had acquired a large fleet of airlines of various specifications and sizes. And it's cost about Rs440 billion. Basically, the government had purchased new airplanes. Additionally, the expenses on the salaries also increased. There were even strikes by the pilots demanding fair salaries. Because of this, the company had to incur revenue loss, because the planes couldn't fly due to the pilots being on strike. And the operations of the company were affected. This cost the government a lot.

In the upcoming years, some more bad decisions were made by the government regarding Air India. Like, the revenue from the passengers was decreasing year-on-year because the passengers had more options to fly by way of the new international airlines. So, Air India decided to open up more flights on new international routes expecting more passengers to fly Air India. But the new international routes turned out to be loss-making. Apart from this, it is said that the Air India had hired excessive crew members. There was no need to hire the member of people they had hired. According to the requirements, the company had 11,433 employees as against the envisaged requirement of 7,245. So, the salaries were

being paid unnecessarily leading to the wastage of even more money.

Jitendra Bhargava, the former Executive Director of the company, says that management problems in Air India had begun in the 1970s. The top management was changed in these years. He said that before the change in management, the cabin crew members were rigorously trained. In-flight service used to be the top priority of Air India. That's why everyone preferred Air India. But after this change, the cabin crew weren't trained properly and the process of recruitment wasn't as strict. The company started hiring people without proper screening. Leading to an increase in expenses and a fall in the standards. When the standards of in-flight services started falling, the passengers, obviously, started looking at other airlines.

In the next few decades, there were even disagreement between the government and Air India's management. But since Air India was a Public Sector Unit, a government company, Air India's management had to abide by the government's direction at the end. For example, in 2007, the government spent millions of Air India's money on advertising. Even though the management believed that money shouldn't be wasted on it at that time, and incur losses due to it.

**Privatization vs Nationalization:**

Here's there's a very strong argument favouring privatization. Since Air India was a government company, meaning the ultimate authority of decision-making was with some politician and some government officers. They did not have much knowledge of the airline's industry. Which airplanes to buy? How many should they buy? On which routes should the airline be flown? Incompetent people at the top. They couldn't make the right decisions because they lacked knowledge and they didn't have much experience. And neither did they have

motivation to make the right decisions. Because it is often said about government jobs that once one gets the job, they are set for life. Regardless of how one works. As compared to a private job, where one has to work properly to impress the boss, to move ahead in career and the profit motivation is always present in a private job. So how could Air India be successful?

Although another point to note here is that the nationalization of Air India had already taken place in the early 1950s and till the 1970s, the airline was flying quite well. It was a world-famous airline. Considered one of the best airlines in the world. Even though it was a nationalized airline. Because the top management was working well and was motivated. JRD Tata was handling it himself, who had founded the airline. So, he had the motivation to keep the airline in top shape. That's why Air India story is less about the success and failures of privatization versus nationalization and more about improper management and bad decision-making. Which can be seen in a private company as well as a nationalized company.

In 2017, the government decided to privatize Air India. By 31<sup>st</sup> March 2020, Air India had accumulated losses of over Rs700 billions in total. This burden kept on increasing every year. To the extent that the government found it increasingly difficult to sell this airline.

### **Maharaja Returns Home:**

But finally, on 8<sup>th</sup> October 2021, the government successfully sold off this airline to Tata for Rs180 billion. This decision is seen as a big celebration because the airlines have returned to their original owner again.

Only time can tell if Air India could once again become a successful airline after this decision. Whether it could recreate its identity in the world or not. But one thing is definitely cleared at the end, that if we look at the best airlines in the world today, Singapore Airlines

Emirates, Etihad Airlines, Japan Airlines, Lufthansa, in this long list, you will find nationalized airlines those airlines controlled by the governments, like Singapore Airlines with the Singaporean government holding the majority stake, or Emirates or Etihad, that are 100% government- controlled airlines, On the other hand, you will find private airlines as well. Like Lufthansa and Japan airlines.

### **CONCLUSION:**

After considering all the above analysed content, in conclusion we can say that the main cause of the downfall of Air India is Incompetent people at the top. They couldn't make the right decisions because they lacked knowledge and they didn't have much experience. And neither did they have the motivation to make the right decisions. That's why Air India story is less about the success and failures of privatization versus nationalization and more about improper management and bad decision-making. Which can be seen in a private company as well as a nationalized company

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