

# Airline Industry of Pakistan

## Challenges and Prospects

### **M.Phil. Thesis**

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February 28, 2019

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## **Abstract**

It is important to register the significance of any industry for wellbeing and the economy of any country. Then it becomes necessary to confirm the smooth evolvement of that industry. Airlines of Pakistan hold great impact in the Aviation Industry of Pakistan. Pakistan Airlines like any other industry are facing many challenges. These challenges are either not considered or not addressed properly. Many researches have been made on the Government run Pakistan International Airline (PIA) which is one of the many other airlines running in the country. Other private owned airlines also share a huge percentage of contribution to aviation and Pakistan's economy but no research has been made on their progress and challenges faced by them. This research is aimed to point out the less spoken and less addressed problems faced by all airlines of the country. This study does not limit itself to government run airline. It is conducted primarily by conducting elite interviews of the key personnel of the airlines and secondarily the statistical data is extracted from the related published materials. The study finds that the issues that appear to be insignificant, in real bring massive differences in the successful progression of the industry. It has also been evident that multiple factors exist with causation effect. The study mentions recommendations on how little change in our attitude and practices can bring considerable positive results for the industry and eventually for the country.

## **CHAPTER 1**

### **INTRODUCTION**

Urban economy has said to be comprised of mainly three segments, a household that provides labor and acts as a consumer to goods as well, the production sector which includes the firms that use the labor and produces for market, lastly it is the transportation sector that covers the inter network of the above mentioned two. (Berechman & Banister, 2003). In this competing world of fast pacing unstoppable globalization, it is the air transport industry that needs to be focused on. It holds its significance for being the only medium for global transportation and international tourism. It is fast and reliable too

#### **1.1 PROBLEM STATEMENT**

It has also become a necessity to strengthen domestic aviation in the era of fast evolving technology and unstoppable globalization. Relying only on railways and roads will keep us lagging behind. Aviation sector provides the answer to be able to compete. The strengthening of aviation sector can also help in reducing poverty and also can serve for better distribution of goods and services within and among states. Therefore the need is to improve this industry of Pakistan. The problem is not whether or not there should be encouragement and support to aviation industry but to determine at what point the disadvantages outweigh the benefits we can extract out of aviation. How it is necessary to determine the efficiency and what should be the key. There is need to study in depth for the reasons of failure of airline industry in Pakistan and design reform strategy for the improvement of industry.



## **1.2 OBJECTIVES OF THE STUDY**

- i. The objectives of this study are to assess factors which contribute to the poor performance of the airline industry of Pakistan.
- ii. To give related recommendations for the improvement of airline industry of Pakistan.

## **1.3 RESEARCH QUESTIONS**

- i. What are the major factors hindering growth and performance of the airlines of Pakistan?
- ii. What are the aspects that need attention for the smooth revival and growth of the airline industry?

## **1.4 HYPOTHESIS**

- i. Poor human resource both technical and managerial staff are affecting performance of air industry of Pakistan.
- ii. Poor maintenance of the aircrafts and emphasis on quantity rather than quality lead to poor performance of airline industry of Pakistan.
- iii. Lack of adequate policies and inefficient implementation of the existing policies result in rapid descent of airline industry of Pakistan (Baloch, 2018)
- iv. Improvement in human resource, maintenance of aircraft and good governance lead to revival and growth of the airline industry of Pakistan

## **1.5 ORGANIZATION OF THE STUDY**

There is a brief introduction given in this chapter on the significance of the airline industry for the economic growth of the country. How the airline industry puts an impact on Pakistan's economy, the history of airlines and nature of the industry. Second chapter comprises of the literature review of the major problems that are associated with airline industry around the world and in Pakistan which are becoming hindrance in smooth operations of the industry. The third chapter of Methodology contains the detail of how the study was conducted along with the list of personnel interviewed. The fourth chapter is of Results and Findings of the study. Fifth chapter mentions the Recommendations which are extracted from the data collected in interviews and from the interviews, of the international successful airline business owners, already published.

## **1.6 THE SIGNIFICANCE OF AVIATION**

In the twentieth century, air transport has become one of the most influential industries. Aviation is one of the major direct and indirect employers; it not only facilitates world trade but also provides opportunities and encourages of travel and tourism. (Upham, Maughan, & Raper, 2003)

### **1.6.1 Aviation and Economy**

Aviation sector also plays a vital role in development and economic strength of a country. There are significant and positive benefits generated by investment in aviation infrastructure and services, particularly in developing economies. In this era of high competitiveness, time demands continuous improvement in globalizing world. There is direct and indirect impact of aviation on the total economy of a country. Moreover there is induced impact too which helps growth in economy. Direct impact may include

employment, exchange of goods and services within and across borders, mega infrastructure construction etc. The supporting services required by the people and aviation industry give the indirect benefits to economy. These include indirect employment at different business activities such as food, transportation, and medical services etc. that take birth with the rise of aviation in order to upkeep the industry. For Pakistan with growing economy the development of aviation sector can play a dynamic role. By increasing a country's linkages to the global air transport network, investment in aviation can boost its long-term productivity and economic growth. This can act as a driving force in the growth of a developing economy.

Rapid transport network across the world is run by the aviation industry that plays an important and essential role for global business. It not only generates economic benefits, employment, reduces poverty, promotes tourism but also assists at enhancing international trade. According to IATA 2018, Mid-year report, the impact of worldwide airline industry on economic growth is given in the table 1.1

**Table 1.1: Worldwide Airline Industry impact on Global GDP**

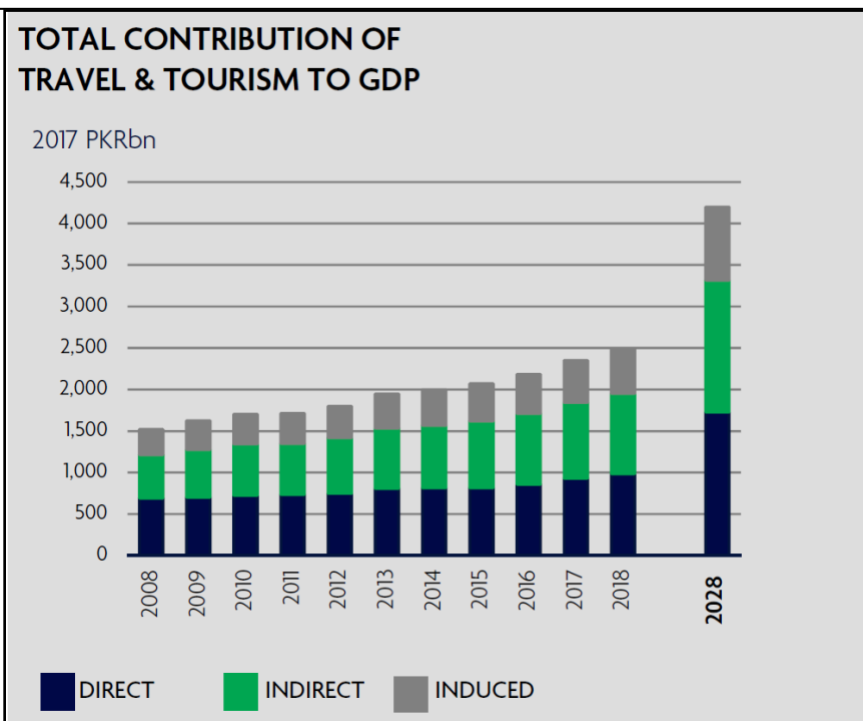
Worldwide airline Industry	2016	2017	2018F
Spend on air transport*, \$billion	740	787	871
% change over year	-1.6%	6.3%	10.7%
% global GDP	0.9%	1.0%	1.0%
World GDP growth, %	2.5%	3.2%	3.4%
World trade growth, %	2.2%	5.4%	5.3%

Source: IATA 2018

At present developing countries specifically located in Asia are growing largely in terms of population in comparison with Europe and other developed countries. This growth is expected to keep rising and so the demand and need for growth in travel market. With current rate by 2050 Asia will be needing airplanes of worth 1.9 trillion USD. (Government of Pakistan, 2015) Air transport is essential not only for tourism but also for business and economic growth of Pakistan.

In Pakistan the contribution to GDP of Travel and Tourism was US 8,832 million dollars (PKR 930.9 billion), that is 2.9% of the GDP in the year 2017. It is estimated to escalate up to 5.9% from 2018 till 2028 i.e., US 16,391 million dollars (PKR 1,727.7 billion). (Turner, 2018) Table 1.2 indicates the contribution of travel and tourism to GDP of Pakistan with the estimated forecast of 2028.

**Figure 1.1: Total Contribution of Travel & Tourism to GDP of Pakistan**



Source: World Travel Tourism Council, United Kingdom, 2018

### **1.6.2 Direct and Indirect Impact of Aviation Industry**

Travel and tourism industry puts direct and indirect impact on the country's economy. WTTC identifies that the total contribution of travel and tourism is much greater. The statement is verified by the annual research which captures its direct and indirect impacts. Its direct impact is on commodities such as transportation, accommodation, entertainment and attractions. Other direct impact it has is on industries that provide the services of the mentioned commodities that is transportation services, accommodation services, cultural, sports and recreational services etc. While on the hand the indirect impact contribution is being made by spending on food, recreational activities, clothing and household etc. Overall and collectively they contribute to employment and GDP. (World Travel and Tourism Council, 2018)

Figure 1.2 Direct and Indirect Impact of Aviation (Travel & Tourism) Industry in Pakistan

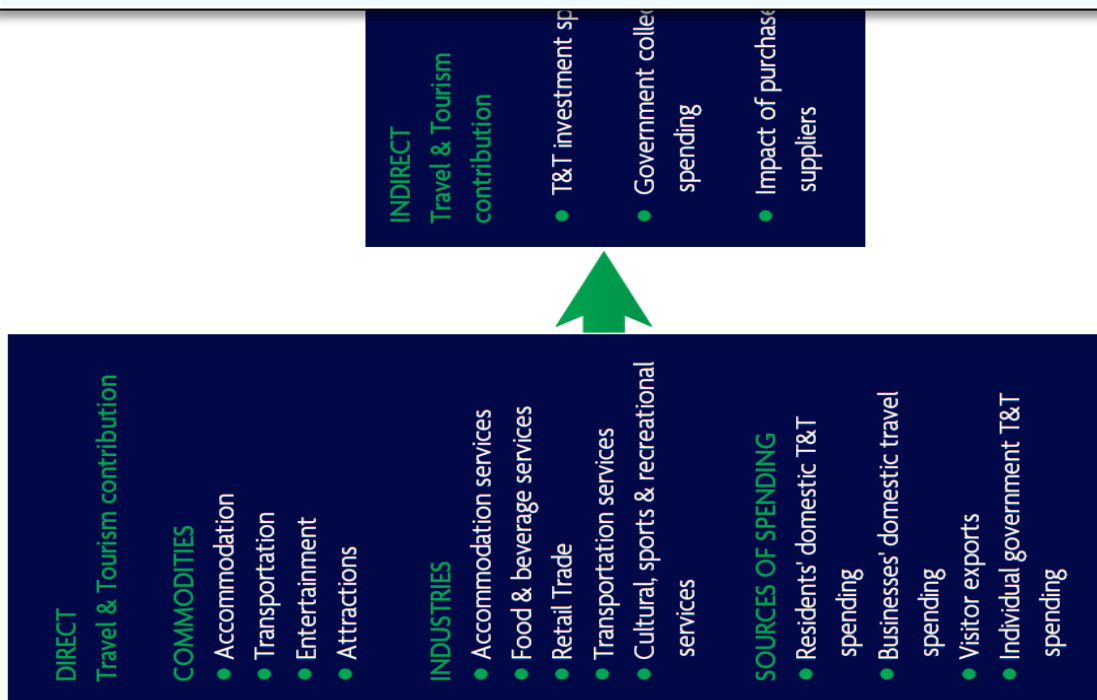
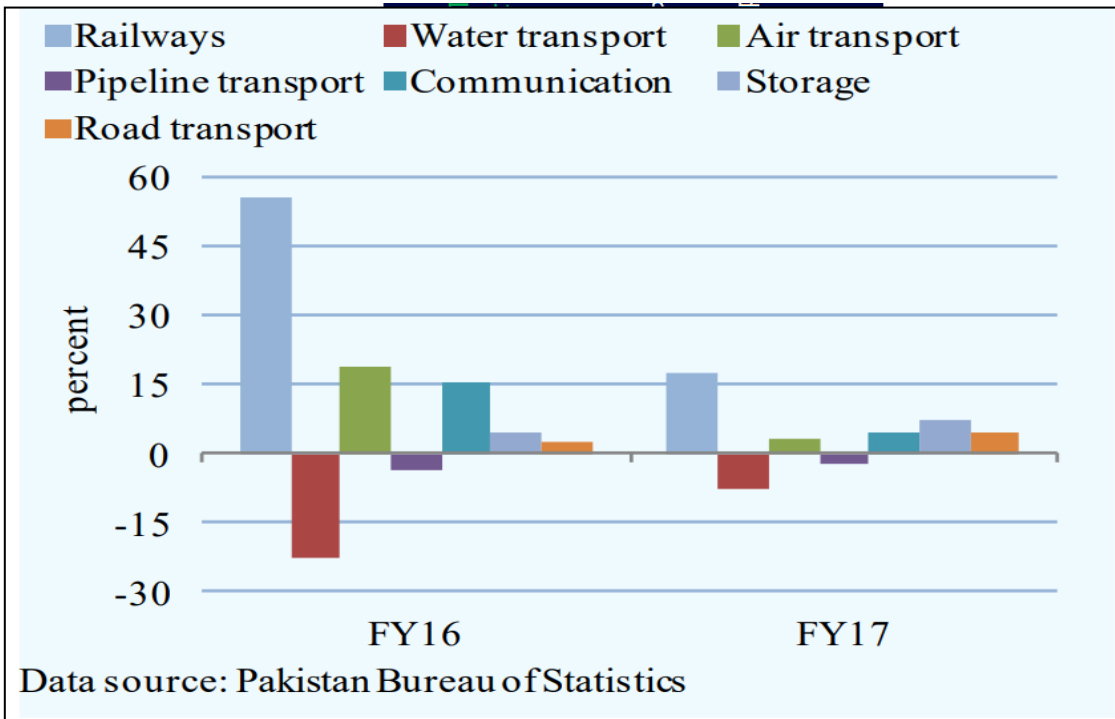


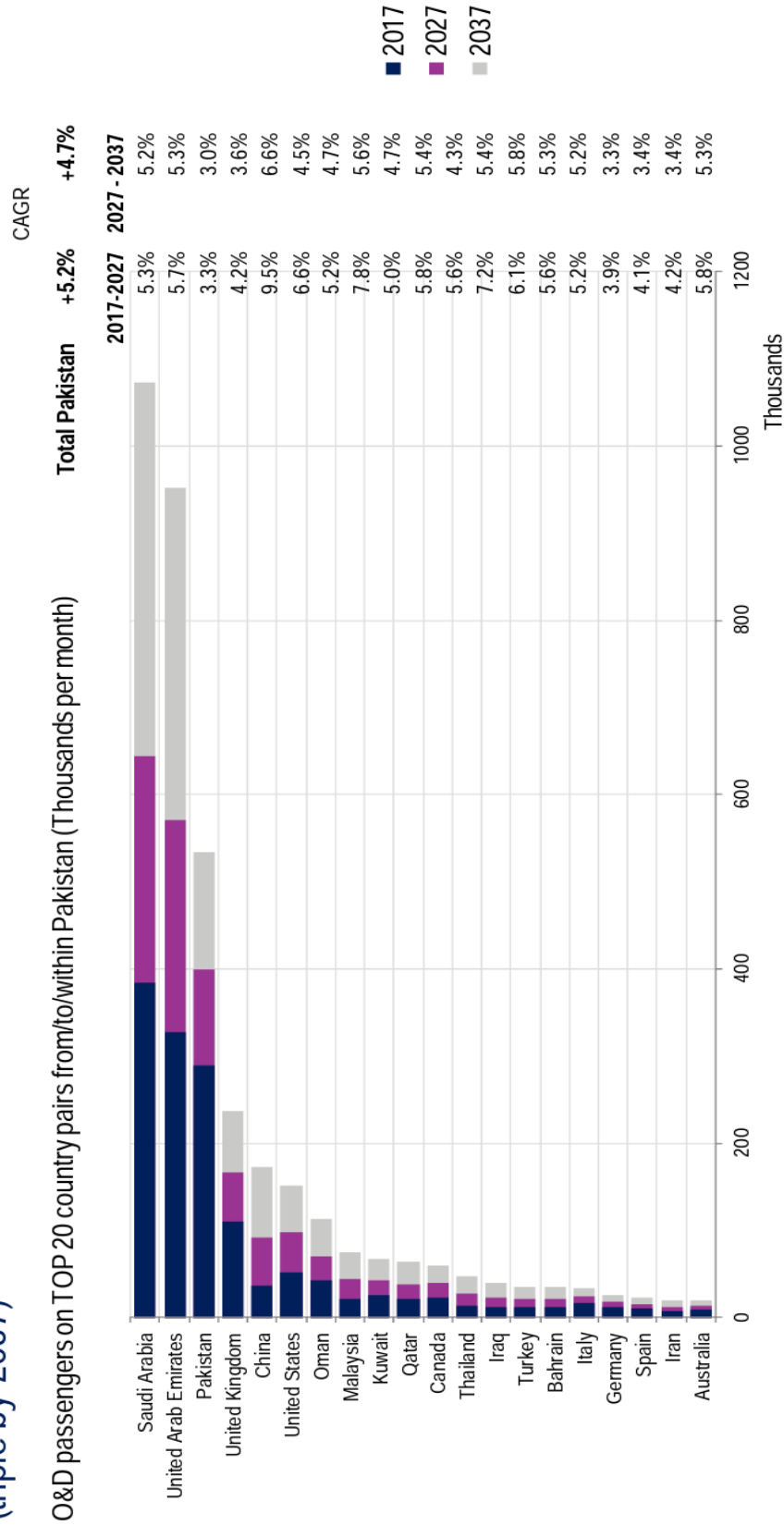
Figure 1.3: Sub-Sectors of Transport, Storage and Communication in Pakistan



*“A dollar flowing into a local airport of a regional airline from outside of the local economy is a benefit to the regional economy” (GOP, 2015).*

Better financial return, more jobs, increase in business and employment and improvement of technology are the spillover effects of improving aviation sector in the country. Table 1.3 indicated that the percentage of the air transport sector has decreased over one year difference between FY16 and FY17. There is a lot of potential in air traffic in Pakistan as traffic in Pakistan is estimated to nearly double in coming decade. The table 1.4 given indicates that Pakistan ranks number three after Saudi Arabia and United Arab Emirates for the percentage increase in air traffic for next twenty years. (Sabre, 2018)

**Figure 1.4: Air Traffic Estimate of Pakistan in next 10 years**  
**Pakistan's traffic to nearly double in 10 years**  
 (triple by 2037)



Source: Sabre, AirbusGMF 2018



### **1.7 HISTORY OF PAKISTAN AIRLINE INDUSTRY**

Pakistan International Airline (PIA) was the first airline as well as is the national flag carrier. Since it was formed, it has brought many decorations for the aviation industry of Pakistan. It is the first Asian airline to operate a jet airplane that is Boeing 707. Not only this, it was the first non-communist party airline to operate to/from China. PIA has not only seen the glorious days but has also enjoyed continuous rise for a very long period of time. (Mushtaq, 2017). Looking at the present situation, the airline is seeing the depressions of its life. PIA is often termed as a national burden. Private airlines on the other hand are taking the last gasp in managing to roar the skies. Airlines are pulling off from their routes as failing to compete with the other airlines operating in the region. Air Blue cancelled its Dubai flights as it couldn't withstand Emirates operating on the same route. (Baloch, 2018) Similarly Shaheen Air also had to withdraw its Manchester flights for the same reason. PIA brought net loss of approximately 45 billion rupees in the fiscal year 2016. (PIA's annual loss, 2017) Comprehensive study has not been carried out in the past to find out poor performance of the air transport industry in Pakistan, though partial studies exist looking into financial and human resource aspects of some airlines like PIA.

### **1.8 STRUCTURE OF AIRLINE INDUSTRY OF PAKISTAN**

Currently Pakistan Airline Industry has four major airlines operating, PIA, Shaheen Air International, Air blue and Serene Air. The structure of these airlines is clearly seen in the tables given. First table shows the structure of the airlines in 2016 whereas the second table shows the structure for the year 2018. It can be seen that PIA had 43 aircraft in year 2016 which dropped down to 36 by 2018. Similarly Shaheen Air went from 25 to 18 over these two years. Among these eighteen aircraft six are on long term lease from Jordanian Airline

and the contract will run out after its duration is completed. (Kamran, 2018). Aircraft number for Air blue has gone up by one over past two years and Serene Air emerged with 3 aircraft.

Table 1.2: Operational Aircraft Type, Number and Average Age in Pakistan		
<b>Aircraft type</b>	<b>No. of planes</b>	<b>Average age (years)</b>
<b>PIA</b>		
ATR 42/72	11	7.07
Airbus A310	10	23.74
Airbus A320	11	10.38
Boeing 777	11	10.78
Total	43	12.64
<b>Shaheen Air</b>		
Airbus A320	8	13.26
Airbus A330	7	14.66
Boeing 737	10	23.51
Total	25	17.75
<b>Air Blue</b>		
Airbus A320	3	4.07
Airbus A321	4	2.35
Total	7	3.09

Source: CAA. 2016

Table 1.3: Operational Aircraft Type, Number and Average Age in Pakistan		
Aircraft Type	Number of planes	Average Age (Years)
<b>Pakistan International Airlines</b>		
ATR 42	5	11.2
ATR 72	5	5.8
Airbus A310	3	24.7
Airbus A320	11	12.1
Boeing 777-200	8	13.1
Boeing 777-300	4	10.3
<b>Total</b>	<b>36</b>	<b>12.2</b>
<b>Shaheen Air International</b>		
Airbus A319	6	12.6
Airbus A320	8	14.9
Airbus A330	4	10.9
<b>Total</b>	<b>18</b>	<b>13.3</b>
<b>Air Blue</b>		
Airbus A320	3	5.7
Airbus A321	5	3.6
<b>Total</b>	<b>8</b>	<b>4.4</b>
<b>Serene Air</b>		
Boeing 737	3	6.9

In Source: CAA. 2017 Commercial Airlines are the backbone of aviation industry.

Unfortunately Pakistan airlines instead of gearing up and advancing with time to meet the competition are surrendering and going in the opposite direction. Keeping the cyclic nature in mind, during the downturns foreign airlines will conquer the market and instead of taking upturns, Pakistan Airlines will keep descending. If anticipatory actions are not taken in time, aviation industry can be in big danger. The airline industry has already faced great highs and lows in Pakistan. Some airlines are even reaching their bare minimum levels of survival and some have already shut down. It can undoubtedly be seen that the airlines struggling to survive and prosper are facing many challenges and hurdles.

### **1.9 THE CYCLIC NATURE OF AIRLINE INDUSTRY**

It is not only in Pakistan but airlines around the world have been noted to be cyclic in nature when it comes to profits. Regardless of this being seen as a global trend some airlines have still managed to surpass this drift continuing to make profit while avoiding the downturns. (Doganis, Rigas, 2006) British airways, Singapore airlines, Swiss air, Cathay Pacific are some examples. The following table shows the trends of profit and loss of the world airlines from 1975 to 2007 (Cento, 2009)

Airlines in Pakistan also demonstrate the same trend. This trend can be seen in the table given below which shows the market share trend of past years.

International Passengers (Market Share)	2012	2013	2014	2015	2016	2017
Air Blue	6%	7%	6%	9%	10%	10%
Air Indus	0%	0%	0%	0%	0%	0%
PIA	39%	34%	28%	23%	22%	22%
Shaheen Air	8%	11%	12%	12%	11%	11%
Foreign Carriers	47%	48%	53%	56%	58%	58%
<b>Source CAA</b>						

## **CHAPTER 2**

### **LITERATURE REVIEW**

*‘This is a nasty, rotten business’ -Robert Crandall (American Airlines, 1994)*

There have been many factors acting as hurdles and challenges in the prosperous growth and sustainability of the airlines in Pakistan. Some of the important issues and challenges facing airline industry in Pakistan are covered in the study.

#### **2.1 GOVERNANCE AND AIR POLICIES**

*“If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.”—*  
Ronald Reagan, on how government keeps expanding

##### **2.1.1 Airline Industry – An Oligopoly**

Oligopoly is the term used for the industry which is run by very few firms. Economists consider the airline industry as oligopolistic in nature in terms of its market structure. Among others barriers to entry into the industry is one. There are hard barriers to entry into the airline industry which discourages the potential competitors. In America there are four major airlines in domestic sector which are flying 80 percent of domestic passengers. (Segal, 2018). In Pakistan the passenger market is dominated by PIA in the domestic sector. As visible in the table given below, PIA alone holds 67% of the domestic passenger share as of 2017. In 2012 it was holding 77% of it. Table 2.1 is referred

Domestic Passengers (Market Share)	2012	2013	2014	2015	2016	2017
Air Blue	14%	19%	12%	13%	14%	11%
Air Indus	0%	0%	11%	9%	0%	0%
PIA	77%	71%	54%	51%	62%	67%
Shaheen Air	10%	10%	24%	28%	24%	16%
Others	0%	0%	0%	0%	0%	5%

**Source CAA**

### **2.1.2 Open Market Liberalization**

Speaking of International market, liberalization and deregulation has benefitted many economies and specifically in airline industry. Many countries have adopted open market strategy and have gained benefits of decrease in fares and increase in international traffic. In the National Aviation Policy of Pakistan 2015, the open air policy was adopted. This included ‘market access liberalization’ and ‘ownership liberalization’. (Government of Pakistan, 2015) This gave opportunity to many international airlines to have access to our smaller airports. The air traffic increased as expected in the National Aviation Policy. But the increase in traffic benefitted the foreign airlines and our local airlines suffered as a result. Table 2.2 presents the five year trend of passenger share in international market which indicates that 58% of our market share is taken by the international carriers. Another important thing to notice is that the share of foreign carriers is in continuous rise over the years in Pakistan. This is not only taking place in the International Passenger Market but

in the Domestic Passenger Market (table 2.1) of the country as well. Reason could be the advantage foreign carriers are taking out of the downturns in Pakistan airline industry. If this continues, the question arises is, in longer run will Pakistani airlines be able to take the uprising turns having to compete with these big foreign airlines. If Pakistani airlines do not address the downturn trends, these downturns can be deeper and long lasting. Our national carrier as presented went down from 39% to 22% i.e. loss of 17% over the mentioned span of time.

**Table 2.2: International Passenger Market Share of the Airlines in Pakistan**

<b>Table 2.2: International Passenger Market Share of the Airlines in Pakistan</b>						
<b>International Passengers (Market Share)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Air Blue	6%	7%	6%	9%	10%	10%
Air Indus	0%	0%	0%	0%	0%	0%
PIA	39%	34%	28%	23%	22%	22%
Shaheen Air	8%	11%	12%	12%	11%	11%
Foreign Carriers	47%	48%	53%	56%	58%	58%
<b>Source CAA</b>						

The CEO of PIA requested the government to restrict the entrance of foreign airlines specifically the Middle Eastern airlines to help PIA gain market share. This strategy was used by Canada and Europe to support its own airlines and discourage unlimited competition in the region. Competition without any doubt is healthy for any industry but looking at the status of Pakistani Airlines, it is not possible for them to compete with world top ranking airlines operating in the country, without upgrading their competitiveness.

### **2.1.3 Taxation**

Heavy taxation is imposed on the airlines in the name of Airport Tax. Airport Tax in Pakistan is greater than in many countries. If compared to Dubai Airport, in a flight that operates from Islamabad to Dubai per person tax is about two to three thousand rupees. On the other hand same flight when returns from Dubai to Islamabad, per person tax is about eight to nine thousand that is four times higher. Not only this, for every domestic flight ticket purchased only 50% goes to the airline rest all goes in taxation. (Shadman, 2016)

## **2.2 ISSUE OF FINANCE**

Finances are fuel to any industry. Airline industry requires heavy investment initially and later in order to run it further it requires a lot of finances to keep it supported and evolving as time requires. The challenges faced by the airlines in financial sector are mentioned below

### **2.2.1 Marginal Profit**

As it has been discussed already the airline business faces cyclic turns in its economic fortunes but does it really make ample profit during the upturns or in the profit generating years. Is this profit enough to compensate for losses during the downturns? According to report by Centre for Aviation CAPA in collaboration with International Civil Aviation Organization ICAO on world airline industry operating margin in terms of percentage in revenue, the highest reached profit percent by world airlines has never exceeded 9.2%. (Centre for Aviation, 2018)

The average remains about 5%. This Profit margin is very low as compared to other industries including the other aviation sectors such as oil supply etc. It is highly unlikely

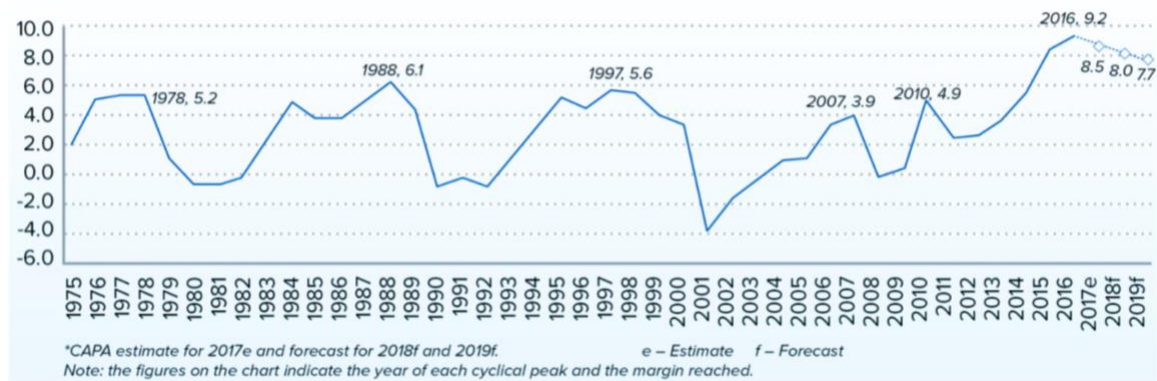


to cover up the losses of bad times if profit margins are that low. (Doganis, Rigas, 2006)

In Pakistan the situation is even worse when it comes to profit margins for the airline industry. The average airline profit percentage is less than 3 (Baloch, Farooq, 2018). The airline business is not very profitable in comparison with other sectors, other than few individual exceptions.

**Figure 2.1**

**World airline industry operating margin (% of revenue): 1975 to 2019f\***

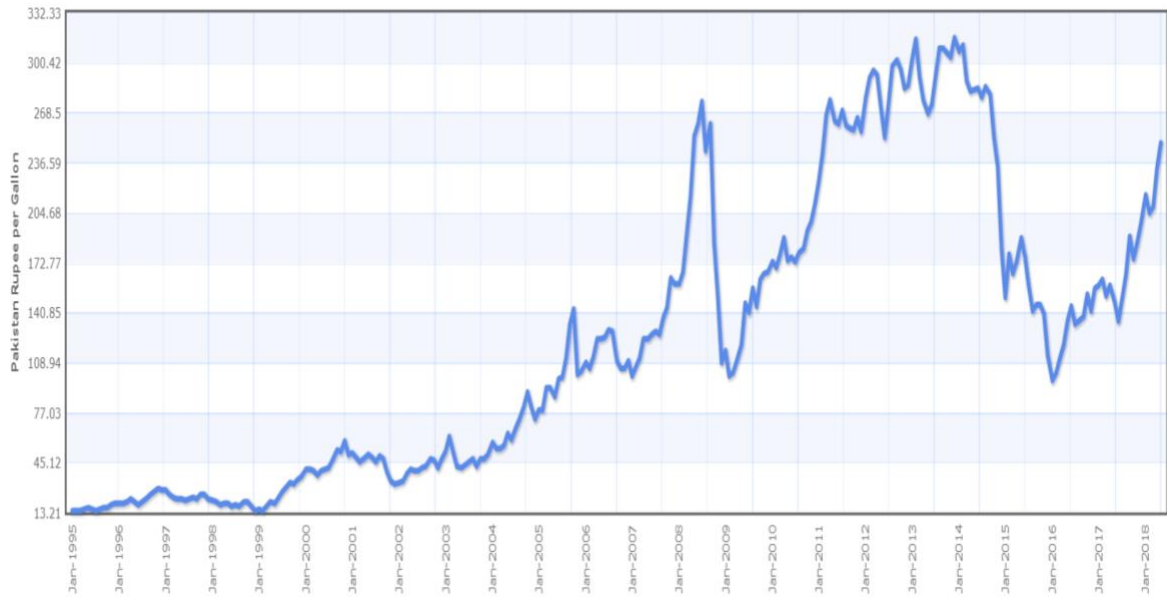


Source: CAPA - Centre for Aviation, IATA, ICAO.

### 2.2.2 Fuel Price Fluctuations

The Jet fuel price in Pakistan is in continuous rise as depicted in the table below from year 1995 to 2018 against its price in Pakistani rupees per gallon (Index Mundi, 2018).

**Figure 2.2 Fuel Price Fluctuations in Pakistan per Gallon (1995-2018)**



Source: CAPA- Centre for Aviation, IATA, ICAO

Fuel is the biggest expenditure for airlines fluctuating between 30 to 50% of its costs (Popova, 2016). According to International Air Transport Association (IATA), for increase of one dollar in the price of single oil barrel the airline industry cost increases to about one billion dollars (Doganis, Rigas, 2006). With airlines operating on such low profit margins such continuous and rapid up rise of fuel prices cause real troubles for the airlines. As it was reported in the year 2013 when jet fuel prices went up by 10 Rupees per liter in Pakistan, it caused Air blue to rethink its operational strategy. One-way flight from Karachi to Islamabad on average consumes 2900 liters of fuel. Air blue on average operates 30 flights a day. This indicates how heavy rise of 10 rupees can be. The airline initially planned of downsizing number of employees. Later decision was made to reduce the salaries instead, which caused strike by the employees resulting in flight delays and passengers stranded for hours across the country (Hasan, Saad, 2013).

### **2.2.3 Corruption in Finances**

Corruption remains one of the biggest of all problems for developing countries and rising economies. It is a major reason behind the economic deficit for our national flag carrier as well. Following are major revealed corruption cases. A Suo moto action was taken by the Chief Justice of Pakistan against all the former MD's of PIA as from the year 2000 till now PIA has been reported to have faced losses of about 360 billion rupees. (Web Desk, 2018). The Ex CEO of the Airline, German National, Bernd Hildebrand's name was put in Exit Control List following the charges of illegal sale of aircraft owned by the airline. Airbus 310 was reported missing earlier but on investigation was found out that it was transported by British company to Malta for picturing a movie and later uninformed was transported to Germany and aircraft worth millions was sold for 5.3 million rupees only. (Web Desk, 2017) But it is not only the employees that are to be blamed for such heavy losses and corruption but government plays the major role too (Ahmed, 2016). A case that came forward during the prime minister ship of Shahid Haqan Abbasi was that Profitable routes of PIA were taken away and were granted to Air Blue. Abbasi himself is the head of the airline. (News Desk, 2018)

### **2.3 ROLE OF CIVIL AVIATION AUTHORITY PAKISTAN (CAAP)**

Civil Aviation Authority of Pakistan (CAAP) is the regulatory authority that promotes and regulates the aviation activities in the country. Development of infrastructure, regulating and providing air navigation services and airport services are some of the core functions of CAAP.

### **2.3.1 Airport Infrastructure**

According to the estimates of IATA, the growth in the internal air traffic of Pakistan may increase up to 9 percent by the year 2020. (Baloch, Farooq, 2018). There is an estimate rise in the air traffic throughout the world, although Pakistan's air traffic is not rising as estimated but still there is need to improve the infrastructure to support the rise. The inadequacy of the aviation infrastructure can give huge down draught to airlines continues growth. Throughout the world many countries are facing the problem. Lack of land to build new airports, finances and political influence are few reasons for it. (Doganis, Rigas, 2006) Speaking of Pakistan, very recently it inaugurated its one of the biggest airports but unfortunately with one of its biggest flaws. Only in this recent month of October three incidents were reported depicting the efficiency of the airport inaugurated few months ago only. Passenger boarding bridge was collapsed on October 10<sup>th</sup>, 2018. Six months after the initiation of the airport, two people were injured and two luggage containers were damaged due to failure of quality and collapse of the bridge. It was reported that the bridge broke down when it was in the process of disconnection from the foreign airline. (Asghar, 2018) The foreign aircraft however remained safe and so did the passengers. Another such incident happened when at least five stray dogs were seen roaming at the premises of the airport. This seems to be a huge question mark on the safety and security of the airport which rests with the ASF. (Naseer, Tahir, 2018).

On the other hand, airports around the world are utilized as economy boosters and built to attract passengers. Istanbul Ataturk Airport is designed in a way that passengers prefer travelling by Turkish Airlines as the stay at the airport is very appealing. The airport is equipped with all kinds of facilities and amenities including children playrooms, food

courts, groceries, and photography and hairdressing services other than massive shopping center. Not only this, 85 room hotel is also located inside the airport given on hourly basis for passengers who cannot leave the airport. There is special service provided to store luggage at the airport. The Airline is making revenue because of the airport and airport is also boosting economy. It's a win-win situation. Another very prominent example is of Changi Airport, Singapore. It is expected to be open and available for public by 2019. The airport includes services beyond the concept of a typical airport. It is being built with a rainforest within itself it includes a gigantic library, 130 hotel rooms, 300 dining and shopping outlets. It also includes Rain Vortex which is a 131 feet indoor waterfall and a Forest Valley which is a five story tall garden. The CEO Jean Hung, of Jewel Changi Airport Development states that *"Not only will Jewel capture the hearts and minds of travelers and boost Singapore's appeal as a transit hub, it will enhance the Changi Airport experience for our passengers and visitors,"* (Zhang, 2017)

### **2.3.2 Airport Management and Facilitation**

Islamabad Airport, taken in example, for being the most recent and biggest constructed in Pakistan. It was designed to handle about nine million of passengers every year and cargo of up to fifty thousand metric tons. (Geo News, 2018). But since it has become operational it has faced a new problem every other day. It seems like even after massive delays the airport was inaugurated at pre mature stages. Most common of all complaints about the facilities at the airports of Pakistan and specifically Islamabad airport are the absence or lack of number of Civil Aviation Authority Help Desk, dysfunctional conveyer belts causing up to 5 hours of wait time to receive luggage, (Team Report, 2018) non-friendly staff paying less attention to passenger complaints, airport infrastructure not friendly for

people with special needs specifically wheel chair bound passengers. The construction of the new Islamabad airport was filled with defects as airport couldn't stand rainfall and was filled with water within few months after getting operational. (Dunya News, 2018).

## **2.4 CUSTOMER SERVICES**

Quality service has become a necessity and foundation for airlines in order to compete with one another. Airlines have to constantly improve their services in order to keep their image in the minds of people and to preserve the loyalty of their passengers. There are many aspects of services that leave impact on people in target.

Richard Branson, the CEO and Founder of Virgin Airlines recognized the fact that and implemented in his airlines that no matter how good of a service is provided to the customers it can be ruined by low rate delivery. Focusing on the team that is the employees of the airline that are delivering the services is the key. *"Focus on the delivery team,"* he says. *"And the rest will take care of itself. I have long preached that your people are your product, but this is especially true in commercial aviation."* (Branson, 2015) It is easy to understand that fact that Airline Staff and passengers are trapped in a metal body aircraft for hours of long flights. The passengers do get demanding and hence making the crew's job, of being attentive and pleasing at all times, harder. The passengers when speak often mention how the airline ill-treated them, whereas all they had was a bad experience with one particular airline crew member.

Tony Fernandez, the CEO of Air Asia also believes as his employees are his real and key assets. In his view his greatest strength is in taking care and nurturing his good employees. He has put no walls to his office and keeps seeking ideas from his people. On company's

success he distributed luxury watches to his 263 staff members who have been with the company for 10 years. (Flores, 2016)

#### **2.4.1 In-Flight Catering**

It has been noted that passengers can change their airline preference travel patterns and even likely to pay more based on the quality of in-flight served meal. Many airlines have even invested effort in adopting the '*intelligent concept of catering*'- the meal or food combination that is appropriate for flight conditions. (King, 2001). Whereas in Pakistani airline's it has been seen over the videos that insects dead or alive are found in food. The in-flight catering kitchen staff of PIA was seen packing food in an unhygienic method. The staff was not complying with safety standards and working without the use of gloves in the kitchen. (Ary News, 2018)

#### **2.4.2 Passenger comfort**

The airlines in order to increase the seating capacity of the airplanes shrink the seat to seat distance leaving very less leg space for passengers. This problem is prominent for those with longer legs.

#### **2.4.3 Baggage Problems**

Delays and wait for baggage has already been discussed in this thesis but another major problem associated with the baggage handling is loss of baggage. Many passengers have faced this problem. A recent incident happened was when Afghanistan's Ambassador to Pakistan Dr. Omer Zakhilwal complained about his baggage misplacement twice in a week while traveling through PIA Islamabad Kabul flight. (Siddiqui, 2018)

#### **2.4.4 Customer Service Help line**

Airlines in Pakistan do not focus on the help line services. If a passenger has to call or reach the airline for some inquiry or complaint, either they have to wait for a lot of time or simply ignored.

#### **2.4.5 Handling of Unusual Circumstances**

Airlines often face unusual and unexpected situations. In case of inconvenience caused to the passengers the airline is responsible. It has been seen that in many cases passengers are not compensated for such inconveniences. In case of flight delays the compensations are not given in any manner. Most of the time passengers stay stranded at airports without even being informed the duration of delay. Other problem is compensation in case of flight crashes. In Air blue plane crash in 2010, 147 people lost their lives and the families of the deceased were announced to be given 5 million against each passenger as compensation. Even after eight years, compensation has not been paid against each passenger. (Tanoli, 2018)

### **2.5 HUMAN RESOURCES**

With the induction of artificial intelligence the machines as they are getting complex and smarter, it is also thought that they can be replacement for humans. To some extent this may be true but machines need brains behind them too. Hence no matter how intelligent new machines are they require a human brain. Humans can not entirely depend on the machines. It certainly needs more precision in acquiring the right kind of people to operate such machines. Human resource becomes more critical. As in the case of Aviation that we are addressing human resource needs to be focused more. Airline industries around the world have suffered due to poor human resource. According to a recent audit report of



10years that was submitted to the Supreme Court of Pakistan of the national carrier Pakistan International Airline (PIA), the losses beard by the airline were due to inexperienced and unprofessional leadership. (Bhatti, 2018) Here I am mentioning the challenges faced by Pakistan airlines in human resource.

### **2.5.1 Political Interference**

Political interference has been playing major role in the decline of airlines, mainly focusing on PIA. A former PIA officer said *'The organization is highly politicized and government interference in the management affairs is widespread which can be gauged from the appointments of two operating Captains by a political person, despite the fact that they had no experience in core airline functions of marketing, planning and finance'* (Khan A. , 2018). In the audit report of PIA submitted to the Supreme Court it is mentioned and advised that in order for the airline to grow the interference of the government must be restricted. (Bhatti, 2018)

### **2.5.2 Overstaffing**

PIA specifically has been hiring people even when not in need. Some believe this is also an offshoot of the political influence over the airline. As seen in numbers total staff of the airline is 14,847. If this is seen with the number of aircraft operational, the ratio of the airline is about 400 employees to one aircraft. This ratio is considered worst in comparison to other airlines around the world. Major International Airlines with stable economic situations even do not come close to this ratio. Air China maintains 70 per aircraft, Etihad Airways has 148, Qatar Airways has 179 and Japan has 141 employees per aircraft. (Shah, 2016)

### **2.5.3 Incompetent Employees**

Not only there is over employment but most of the employed ones are incompetent too. Either they do not hold degrees or they are not competent in their technical trainings. Civil Aviation Authority of Pakistan (CAAP) submitted report to the Supreme Court in September 2018. According to the report many pilots and crew members of PIA are holding fake degrees. The number however ranges for up to 24 for pilots and 67 for other crew members. On the other hand despite of four months of delay in submitting the report of fake degree holding employees, Shaheen Air, Air Blue and Serene have failed to submit the report. (ARY News, 2018). The other main aspect of incompetency of employees depends on the training they go through. It is very easy and convenient option of bribing the authorities for passing the technical exam by Civil Aviation Authority in order to attain license specifically pilot license. To avoid this higher authority switched to computer based testing which again is not fool proof. What quality of pilots is passing out if these circumstances prevail?

### **2.5.4 Formation of Unions and Associations**

There are many unions at every level in the airline industry. The problem arises when there is conflict in interest. When unions formed within and the airlines do not think of collective benefits but personal benefits. The overall loss in such conflicts is of the airline and its reputation. In 2013 hundreds of passengers suffered as they remained stranded for at least four hours due to the dispute between Labor Union of PIA and senior management. The union in protest stopped the operations for several hours at Karachi Airport. (Hasan, 2013)

## **2.6 AIRCRAFT MAINTENANCE**

The purpose of the aircraft maintenance is the deliverance of reliability and safety of flight with minimum cost to bear. In order to increase the operational efficiency and availability of the aircraft maintenance needs to be proficient. The success of the maintenance organization also depends on the effectiveness of its maintenance. (Manzoor, 2002)

### **2.6.1 Maintenance cost**

There are two types of cost that are borne by the airline in case of maintenance failure. One is the Internal Cost which will include all costs incurred in order to repair the failure of aircraft systems/parts. The other is External Cost which includes all costs that arise due to failure of aircraft operations. The example of external costs are flight delays/cancellation, flight diversions, hotel accommodation to crew and passengers, flight schedule disruptions, reduced operations of aircraft and above all passenger complaints and even passenger lost. (Manzoor, 2002)

## **2.7 TECHNOLOGY**

*“I believe technology is changing the face of the airlines. In this IT is fundamental and it is frontline”- Paul Coby, Chief Information Officer, British Airways, 2004*

It is no doubt that this is the era of technology, the one who wins at technology, wins the game. In Airlines this is the basic for every department involved in operating a successful flight. It has underpinned every aspect of the operation of the airline. It includes, but not limited to, aircraft maintenance, crew scheduling, economic statistics, passenger handling and much more. The efficient use of IT can not only decline the cost but enhance the

revenue as well. The effective impact on sales and distribution can be a big contribution. (Doganis, 2006)

In May 2017, a major IT malfunction at PIA disrupted the operations on large scale. It included the dis functioning of the flight schedule system, the online portal and the online booking of the flights. (Raza, 2017) This caused inconvenience to good number of passengers over several hours. This has not happened once but several times. Few months ago the online system crashed again and this time for several hours causing stranded passengers at the airport, halt in the booking and boarding system and finally delays in both domestic and international flights. PIA uses an American based online system called SABER, which is said to have crashed at that time. (Idrees, 2018)

## **2.8 ETHICS/MORALITY**

The problem is with the mindset of the management of the airline operations in Pakistan. PIA has not only brought mocking and embarrassment to itself but it has also brought it to the nation. With a mindset that is less inclined towards rationality and performance, the airline is certain to blow off on its annual profit. About two years ago in 2016 when PIA ATR crashed killing the 47 unfortunates, instead of working on improving the quality for reduction in the risks of further breakdowns the company somehow decided to slaughter a black goat to wear off the evil eye from the company. (Kapadia, 2016)

### **2.8.1 Moral Downfall**

Moral downfall is another reason cited for poor performance of the industry in Pakistan. It was reported in the newspaper The Nation that PIA pilots and crew was banned to stay at the hotels in Britain. It was found on investigating that PIA crew members have been

actively involved in harassing the female staff of the hotel, and in the complaint the action of banning them was taken. (Khan, 2017) This did not only bring shame to PIA but to the whole nation. Another embarrassing incident recorded was of an airhostess of PIA. She was detained in Canada for court hearing after being caught on CCTV footage while shoplifting at a department store in Toronto. (Khaleej Times, 2017)

### **2.8.2 Smuggling**

Illegal transport of drugs, electronic devices and money laundering cases has been coming to sight specifically in international flights. The crew members of the airlines in order to make smart money use these immoral tactics bringing humiliation to the airline as well as the country. Recently two crew members of PIA Islamabad – Paris flight PK 749 were arrested at the airport for carrying drugs in their pockets. Court of France has sentenced those 2 years in jail. (Naseer, Tahir, 2018). Similarly few years ago crew members of PIA were caught carrying British Pounds and 37 mobile phones in their luggage. Another incident occurred in 2015 when five crew members on Karachi – London flight PK 788 were caught by United Kingdom’s custom authorities for smuggling and money laundering. (Dawn News, 2015). Another time when the United Kingdom authorities arrested 12 staff members of PIA in August 2016, as they found heroin from the lavatory of the aircraft. The list of incidents goes on to when an air hostess was caught at Allama Iqbal International Airport for smuggling 2 kg Gold on a PIA New York bound flight. (The Nation, 2016)

### **2.8.3 Gender Biases**

*“Men do not believe us capable”* (Amelia Earhart, 1930s)

In 1910, only 3% of world pilot population was females and after a hundred years it is still less than 5%. (Mills, 2016) Where as in Pakistan airlines, less than 1% of Pilots are females; in Pakistan International Airline (PIA) out of total 526, female pilots are 17, Shaheen Air International (SAI) has 1, whereas Air Blue, Serene Air and Air Indus has none. Due to this massive difference in numbers, women in aviation encounter various problems at work place. The aviation industry is male dominated and is run by their standards with negative attitudes towards women in aviation (Davey C. L., 2000). As a result of this attitude male instructors give hard criticism to women which leads them to dwell more into mistakes and shortcomings, It is also noted that women do not deal with criticism as well as compared to men, ‘one size fits all’ approach to training cannot work (McCarthy, 2015). Women Pilots have also been facing difficulty in effectively communicating and instigating appropriate topic for conversation, they also reported male pilots being aggressive while some acted in ways that would constitute sexual harassment. Despite of improvement over past decade, women pilots still feel unsupported and isolated. (Davey C. L., 2004) This is not only creating a huge gender imbalance but also discouraging women in aviation. Women are often seen as weaker ones. Whereas an average woman, on average is able to sustain longitudinal stick force of about 55 to 60 lbs, modern aircraft only require 3 to 5 lbs of stick force. (Wilson, 2004) Women are more tolerant to extreme weather and pain. Cold toleration in females is better as they have a layer of 25% fat and males have only 15%. In Hot weather, females sweat less as compared, retaining higher water levels in body. Women are also associated with committing more errors whereas it has been noted that 70 to 80% of air crashes are due to Pilot errors (Weigmann & Shappell, 2005) Errors represent the mental and physical activities of individual that fail to achieve their intended outcome. Skill based, decision and perpetual errors along with routine and exceptional rule violations have been committed by aircrew. (Weigmann & Shappell, 2005) A study analyzing the differences between male and female pilot-error accident rates revealed that neither sex was a safer pilot group (McFadden, 1996)

## **2.9 AVIATION SECURITY**

Aviation Industry and specifically the airlines around the world are facing challenges of Security as it remains the prime concern for the states specifically since the unfortunate 9/11 incident. The issue of air transport security took birth with the first ever hijacking that took place at Peru in 1931. And hence the same year it became the national issue (Baker, 2016). Securing the airports and aircrafts demands high precision equipment and utmost surveillance. One lapse in the security can cost lives of many, destruction of expensive equipment and certainly heavy loss in terms of economy. It was the lapse in the aviation security of US which ended up in huge catastrophe. Having said that, increasing threats of security and coping up with them has become a real challenge not only for Pakistan but all around the world.

PIA airplane was attacked by gunfire when coming in for landing at Peshawar airport, killing a female passenger and injuring two crew members on June 25, 2014. Later four unrecognized men fired on a passenger aircraft at Peshawar airport in October 2014. These incidents made CAA suspend all international night flight operations at Peshawar airport. (Sherazi, 2014). These incidents also made International carriers to terminate their operations at Peshawar Airport. Later this termination was elevated by Etihad Airways but by none other. (Farooq, The Express Tribune, 2014). The restriction by CAA hasn't been uplifted yet. Shaheen Air flight NL 724 intended to land at Peshawar on November 8, 2017 was diverted to Lahore due to same restriction causing troubles not only to the passengers but to the airline as well. (Farooq, The Express Tribune, 2017)

PIA Flight PK 595 on September 17, 2018 was delayed for more than an hour in the name of security check. False information of bomb threat was provided to ASF. As required by

the standard procedure ASF along with Bomb Disposal Squad had to off load all passengers and cargo to inspect the airplane hence causing inconvenience and delay in the flight. (Ali, 2018)



## **CHAPTER 3**

### **METHODOLOGY**

There is a vast scope of growth in the Aviation industry. But as seen in the data presented earlier in chapter 2 of the study, most Pakistan airlines are either static or not progressing. Research has been done on the airline industry of Pakistan but its main focus has always been on PIA, and more with reference to its financial problems. This study aims to point out main factors that are affecting all the airlines of Pakistan including PIA but not limited to PIA. This study aims to highlight the challenges that are faced by the airlines and the probable prospects for it.

#### **3.1 DATA COLLECTION METHODS**

Primary and Secondary data will be collected pointing out the possible challenges faced by the airlines. Primary data is collected by interviews and secondary data is extracted from the research papers, articles and related statistical data and other material available

#### **3.2 RESEARCH TYPE**

Quantitative and Qualitative data is collected. Quantitative data of the impact of airlines on the economy of Pakistan is taken from economic surveys published in Pakistan and international sources as well.

Qualitative data is extracted from the interviews and related material.

### **3.3 ELITE INTERVIEWING**

Interviews are conducted of the key personnel in the operations department of the airlines of Pakistan. The interview language used was English and hence a widespread questionnaire was prepared not jacketed by standardized questions. Questions were left open ended so more and more information can be gathered by the personnel. The aim was to gather their own interpretation of events or issues associated with airlines and not to lose the valuable inside information they may possess. Some standardized questions were prepared but the interviewee was not confined by them. Suitable to the situation some aggressive questions were also asked without getting them offended so that more and more information is extracted. Some information was told to be kept confidential. As promised, the confidential data by now of the interviews is not included in this study. The list of personnel along with designation is mentioned below

- Capt. Tariq Rashid, Chief Operating Officer – Shaheen Air International
- Capt. Zafar ul Islam, Chief Pilot. Flight Operations North – Pakistan International Airline
- Mr. Jawad Haider, Director General Manager Operations – Pakistan International Airline
- Capt. Zahid Qadeer, Director Flight Operations – Air Blue
- Mr. Ali Nawaz – Director to Minister of Aviation

#### **3.3.1 Questionnaire**

- Governance
  1. What is the potential scope of Airline Industry of Pakistan?
  2. What are the main challenges faced by the Airlines?

3. What role government is playing and must be playing for the prosperous growth of airlines?
4. What are your views on the National Aviation Policy?
5. What is the impact of political interference on the airlines?
6. Is open sky policy beneficial for Pakistan?
7. Is there a forced monopoly created in the industry by the government?

- **Issue of Finances**

8. What are the financial issues faced by the airlines?

- **Role of CAA**

9. What role CAA is playing?
10. How supportive are CAA policies?

- **Customer Services**

11. How much of attention is paid to the services and Customer satisfaction
12. What compensations are paid to passengers for flight delays/ diversions due to unforced reasons?

- **Aircraft Maintenance**

13. How well is the aircraft maintenance taken care of? Is the age of aircraft reason behind the condition of the aircraft?
14. How important is it for the airlines to be very keen towards selection of aircraft?

- **Technology**

15. How advance is the technology support in the airlines and what cost are the airlines paying for it?

- **Ethics/Morality of Staff**

16. Are airlines paying some attention to moral training of its staff members?

- **Issue of Security**

17. Is security of the airports causing any hindrance in increase in passenger number?

## **CHAPTER 4**

### **RESULTS AND DISCUSSION**

Brief interviews were conducted, in the interview questions were asked as mentioned in chapter 3. Based on the interview responses the data was gathered and put down in sequence. The findings are mentioned as under

#### **4.1 GOVERNANCE**

No industry can run progressively without the support of the government. It has to regulate and facilitate the industry as required. Not only governance but good governance is what is requirement of smooth operation of any industry in the country.

##### **4.1.1 Aviation Policy- A Hide Out!**

*“Investing in success is not a crime; blocking competition would be. The dark clouds of protectionism are gathering over Europe and the United States.”- James Hogan, CEO*

*Etihad 2017*

Mr Qadeer – DFO Air Blue and Mr Tariq Rashid – COO Shaheen Air, during the interview stated that the airlines in the country and the concerned authorities are blaming the Aviation Policy for the problems faced by the airlines. By doing this not only they are using it as a hide out to cover up for their lack of enthusiasm for progression and unwillingness to work in order to compete but also as a distraction for people to make their incompetence less visible. There are many countries following the liberal and Open Sky Policy including India. But they are equally getting benefitted by it and not going in loss.

#### **4.1.2 Exchange Rate Fluctuations**

Mr Ali Nawaz – Director to Minister of Aviation while talking about governance stated that exchange rate fluctuations give massive blows to the airlines in Pakistan. Aircraft buying, selling, dealings including its parts and replacements etc are all bought in US Dollars. Whereas the profit and revenue the airlines make is in Pakistani Rupees. Not only this but standard CAA charges are also in US Dollars. Hence with fluctuating dollar exchange rate the airlines suffer heavily.

#### **4.2 ISSUE OF FINANCE**

Finances remain as the fuel of any industry. While speaking to Mr Zafar ul Islam- Chief Pilot North, PIA, he mentioned that due to lack of finances all problems are rising. If only this issue is solved PIA will be running successfully. According to him there are no enough funds available that can be utilized to provide quality service to the passengers and in a situation like this when competitors with heavy funding to support their airline provide better services at equivalent or even lower rate, PIA losses its passengers. As PIA losses its passenger it does not generate enough revenue to offer quality services. According to him, PIA is going through this vicious cycle which is hard to escape unless heavy funding is provided to it.

On the contrary while speaking to Mr. Tariq Rashid- COO Shaheen Air, he mentioned that airlines instead of complaining about lack of finances can focus on making best out of available resources. Only 2 airplanes can provide quality service, attract passengers and add to the revenue of the airline if operated smartly. Mr. Rashid further added on with the example of Tony Fernandas, the CEO of Air Asia when bought the airline it had only 2 aircraft, limited resources and poor financial conditions; over the span of 12 years he

managed the airline to have 160-fleet. Upon asking he replied it was keenness in the management of the resources.

### **4.3 ROLE OF CAA**

The main role of Civil Aviation Authority of Pakistan is to promote and facilitate the aviation and its operations. CAA officials are often seen performing opposite, creating problems for the airlines, building hurdles, not giving margins and room for growth. Not only this Airport charges and FBR charges are collectively imposed on airlines in US dollars. Airlines making revenue in rupees when have to pay big numbers in dollars not only discourages Pakistani airlines but foreign airlines to land on Pakistan airfields.

#### **4.3.1 Under-Qualified CAA Inspectors**

Under qualified people are hired by the CAA and given designations that are responsible to keep check and balance of the people more qualified than them serving for the airlines. This creates tension and lack of trust between the airline staff and the designated inspector. Moreover such inspectors do not understand in depth the importance of their duties and can easily be bribed by the officials.

#### **4.3.2 Airport Facilities**

There are no airport facilities available. This includes big and small, all airports. There are huge car parking problems. There is lack of availability of shops and eatery places. There are very few passenger service agents available at the airports to meet the needs of the passengers and helping them where needed.

#### **4.4 CUSTOMER SERVICE**

Main focus was put on to the customer services. Virgin Airlines is a set example for providing best customer service to its passengers. How virgin started from scratch and is one of the leading airlines of the world today. One major reason is the emphasis on the quality of services has been put into. Capt. Rashid- COO, Shaheen Air, during the interview said it does not take much of an effort to improve the customer experience with the airline. Pakistan has a lot of potential and increasing number of travellers and passengers every year but why majority of the people prefer foreign carriers for travelling is the way they are treated by the staff members of the airline. This includes ground dispatch staff to the flight crew members. There are no standards set by the Pakistan airlines on passenger handling.

##### **4.4.1 More of a Service Industry than Transport Industry**

Airline industry is more of service industry than the transport industry. Transport services are directly and indirectly relying on the services provided by them and competition prevails between the airlines on the basis of the quality of services. It involves many services including but not limited to catering, entertainment, luggage handling etc

##### **4.4.2 Cleanliness**

Speaking of standards, first and most important factor is cleanliness of the aircraft. There is no check and balance of how the airplane looks and makes the passenger feel while having the experience. From handprints on the windows to torn seats to displaced cushions, these things may seem small but they give an overall filthy look to the aircraft which is not a pleasant experience for the passengers.



#### **4.4.3 Innovation in Services**

It is a fast moving world and in order to compete one has to keep evolving. Bringing new innovations in services can be a great move to attract people. If the industry is not growing in terms of introducing innovations it is certainly decaying with time.

#### **4.4.4 Catering Service**

Food is not just a necessity; it is an undeniable attraction for people. About 300 grams of rice are served per person in our airlines compared to 180 grams of rice being served in Emirates Airline. Whereas the general view of passengers is that the food served by Emirates is better than any of our airlines. One major factor for this reason is the quality of food as well as the presentation of the food. There is no innovation brought into changing or improving the food and serving quality. Thinking and bringing innovation is not something majorly focused on.

### **4.5 HUMAN RESOURCE**

Machines are the bodies for industry but souls are humans. It is evident that the key to successful operations of any company is the team working for it. Humans are the most complicated beings to deal with and as necessary as they could be for the organizations. It is important to have competent and emotionally intelligent team for any company to run smooth operations.

#### **4.5.1 Micro-Mismanagement**

One of the words that I heard most in the interviews while interrogating about the challenges was micro mismanagement. The airlines of Pakistan are facing massive problem of micro-mismanagement.

#### **4.5.2 Corporate Practices**

It is the corporate practices that travel from top to bottom in the employees. There is a culture of protocols in our country. This culture is not restricted to political leaders but owners of the airlines too. The corporate members of the airlines including the owners and the directors enjoy the VIP protocols given to them. They are most of the time cocooned by the immediate sub ordinates. All the information about the airline, the awareness of the current situation and the problems faced by the employees and other matters are filtered by these people before it is fed to the top ranking people. While enjoying the protocols the true information is not delivered to them. If a person for whom thousands of employees are working steps out of its zone and walks down to every person to deliver appreciation and to listen to his problems while working. It will motivate employees to serve better and make them feel important and equally responsible for the growth of the massive company. Everyone wants to work hard for a person with great attitude and no one would do same for opposite. These attitudes and behaviors of top management are contagious and travel down to every single employee.

#### **4.5.3 Flight Crew Scheduling**

There are three main crew stations across the country where the crew based known as crew base. Mr Jawad Haider – Director General Manager Operation, PIA, mentioned during the interview that most of the flight crew is trained in Karachi and then allotted to their respective base station around the country. This allotment of base stations is critical and done in accordance with the airline routes from the respective station. The management of the crew base stations and allotment of crew in those stations is not managed well. Most of the crew implement their personal preference and insist on staying and operating from

Karachi hence there is high saturation of crew in Karachi whereas in comparison with other stations like Islamabad and Lahore where there is scarcity of crew. Due to lack of crew at other stations, any deviation from routine schedule forces airline to temporarily dislocate crew to the station of need. This dislocation of crew costs the airline. For example when flights are scheduled if flight is, let's say, operated and ends in Islamabad, due to lack of crew in Islamabad the flight is given to the Karachi based crew. The company now has to provide accommodation and other protocols to the crew in Islamabad. Due to poor management in crew scheduling crew from Islamabad might be staying at hotels in Karachi and vice versa. It is not only inconvenient for the crew who is unable to return home after flight but it is also heavy on the economy of the airline.

Ryan Air is a recent example for it. It was reported that due to poor planning of the airline it went through heavy shortage of pilots which lead to cancellation of about 2100 flights in a month's time. This demonstrates that even a very minute and insignificant mistake made in crew scheduling and planning can turn out to be a serious problem leading to huge financial damages to the airline.

#### **4.5.4 Islamabad- the power corridor**

Islamabad after CPEC and according to statistics is predicted to be the next major hub for airlines. There is neither engineering support nor wide body aircraft hangers available. If the traffic load increases at Islamabad Airport it won't be able to bear it. Speaking of today there are only 3 international flights that operate from Karachi every week whereas 58 International flights operate from Islamabad every week of Pakistan International Airline alone.

#### **4.5.5 Formation of Unions and Associations**

Unions and associations back their people even when they are wrong. The formation of such groups was originated initially for the safeguard and protection of the employees. Mr Jawad Haider – Director General Manager Operation, PIA, mentioned during the interview that this practice has gone too far. The company decisions made against employees harming the company are reverted due to the pressure imposed by the unions and associations. Most of these unions and associations are backed by the political entities that pressurize the authorities of the airline.

#### **4.5.6 Low-Post Job Pensions**

Pilots make handsome amount of money every month from their flight careers in airlines. They enjoy the privileges and lifestyles of the highly paid jobs. In PIA, like other government organizations on retirement the airline pay pensions to its employees with and according to the terms and conditions set. Mr Jawad Haider – Director General Manager Operation, PIA, mentioned during the interview that the pensions paid to pilots are very low as compared to the salary they make and in comparison with other professions at same level. An average Captain before retirement makes eight hundred thousand to one million a month in Pakistani Rupees. But on retirement the same Captain is given pension of no more than 35 to 40 thousand of rupees per month. This does not only incite fear but also forces pilots to indulge in immoral activities mentioned earlier in the study.

#### **4.6 AIRCRAFT MAINTENANCE**

As agreed by almost all interviewed for the study that the regular maintenance is well taken care of but the problem arises when some heavy work needs to be done on the aircraft.

#### **4.6.1 Aircraft Maintenance Stations**

Karachi is the hub for many airlines and hence so it is the hub for the aircraft maintenance as well. Daily checks, routine maintenance is available at stations but for some technical reasons the aircraft goes unserviceable needs heavy repair or replacement of parts it has to be moved to Karachi for it. This is not only time but money consuming as well. Not only are this most of the parts of the aircraft not even available in Pakistan. They need to be ordered by foreign suppliers which is again expensive and takes days of time. This adds on to the cost of the maintenance along with the time it consumes to repair the aircraft which indirectly affects revenue on larger scale. One aircraft if goes down means loss of revenue per flight missed by it. And if it takes days the number of missed flights goes in dozens.

#### **4.6.2 Myth of Aircraft Age**

There is a common notion that aircraft used by Pakistani Airlines are old. It is not the number of years that count since the manufacturing. It is how well the aircraft is maintained. Mr Tariq Rashid – COO Shaheen Air, stated that the commonly people judge the aircraft by the way it is maintained as they do not understand the technicalities, lets say if the airplane is dirty looking or has its seats torned up, they would call it old. It is true not only for the cabin, as passengers observe, but for the engines as well. An aircraft bought 2 years ago but not well maintained will be worse at performance than a well maintained 20 years old aircraft.

#### **4.6.3 Selection of Aircraft**

Selecting aircraft appropriate for the route and understanding the demand for which the aircraft is being inducted in the fleet of the airline plays a vital role in the revenue generated by that particular aircraft. When inducting the fleet enough research is not conducted by

the concerned departments. Rather a more of an egoistic approach is taken in account. New inducted aircraft must be bigger than the aircraft inducted or operated by the competing airline. In Pakistan, there is a great need to cover up small sectors air routes, no airline operates between Nawab Shah and Karachi, from Peshawar to Lahore etc. Most of these sectors are not covered by airlines other than PIA.

Mr. Tariq Rashid – COO Shaheen Air International, states that the airline chose Airbus 319 instead of Airbus 320. Without getting into technical details, it can be noted that how this was a wrong decision made. Both of the aircraft belong to same family; require same kind of crew etc. The difference is in the seating capacity A319 has 160 passenger seats while A320 has 185 seats and A319 may have lower operational cost than A320 but at the same time it has lower capacity to carry weight. The aircraft was bought with intention to fly profitable routes where heavy load of passengers fly throughout the year. Hence on an average flight for example that operates between Islamabad to Jeddah, when and mostly the aircraft (A319) would fly with full passenger load. The airline would have to make decision between carrying fuel and the luggage of the passengers due to low weight carrying capacity of the aircraft. The efficiency of the aircraft also reduces when operated on its limits. On the contrary if A320 was inducted by the airline for the same route, same flight would carry 25 more passengers with fuel and luggage both, bringing no inconvenience to the passengers and no bad name to the company. Not only had this but even with all the weight added the performance of A320 would not have reduced. Hence would be generating more revenue per flight. A319 may seem apparently more cost efficient but deeper study indicated different.

#### **4.7 TECHNOLOGY**

The current flight scheduling technology used by Pakistani Airlines is either American software, or it is out sourced to foreign companies. This as a result requires heavy amount in maintenance and hours of wait in case of any failure.

#### **4.8 ETHICS/MORALITY**

As mentioned earlier, human resource remains the soul of any company. One of the major aspects of which is the morals and ethical values of the man power.

##### **4.8.1 Attitude**

*“You don’t hire for skill, you hire for attitude, you can always teach skill” – Herbert David Kelleher –Chairman, Southwest Airlines.*

In order for a company to run successfully it needs people with right attitude. Taking example of Virgin Airlines the founder himself says that out of every 100 people they only pick one, with the right attitude. There are many attitude problems with the people working in the airlines. It is a problem the goes from top to bottom in the hierarchy of airlines. It is the people that make organizations and the focus must be on the quality personnel working instead of the number of people working. An average person in the companies is seen to be spending productive two to three hours in a day instead of eight hours of duty time. His most of the time is wasted in tea, coffee, lunch and many other reasons. Intentions behind remain only to waste time. People with such attitude are burden on the company. Another aspect is their emotional intelligence. This is a major reason for the unhealthy environment created within the organization. Human Resource must keep EQ prior to IQ when inducting employees. A person who cannot control his behavior or does not understand when to respond or when to react will only create atmosphere that is not growth supportive.

#### **4.8.2 Airline staff**

Airline staff that directly deals with the passengers should be extra careful with their dealing. Ground / boarding staff asks for bribes in case of extra weight instead of using the appropriate procedure assigned by the airline. This takes the confidence away from the passengers. Cabin crew is neither presentable nor their behavior with the passenger is welcoming or comforting. The attitude of a cabin crew has to be hospitable but instead they give the impression of being forced to serve the passengers. On the other hand the captain announcements lack enthusiasm and energy which give a very dull impression. Collectively all these factors combine to give an unpleasant experience to the passenger.

#### **4.8.3 Lack of Professionalism**

The staff members lack professionalism. On a full booked flight, the overweight issue forces the staff to choose between extra fuel on board and the luggage of passengers. Most of the cases seen where passengers do not receive their luggage at destination airports is because of the fact that the company chose to take extra fuel and deliberately left the luggage at departing airport.

#### **4.8.4 Personality Problems**

In order for a company to run smoothly all its departments need to be well coordinated and cooperative to each other. As mentioned before not only employees are unprofessional but also hold the tendency to have clashes with people specifically from other departments. These personality problems that are on personal level heavily affect the work that needs cooperation of the two people in question.



#### **4.8.5 Unwillingness to Work**

Employees of the airlines are not willing to work. Mr. Tariq Rashid – COO Shaheen Air, mentioned that the problem is with the attitude. Every employee wants to stay idle whole day and take full salary by the end of the month. They waste their time in their offices and are highly unmotivated for their job. Personal progression as well as the progression of the company does not mean a thing to them. Employees of PIA are permanent and their jobs are secure hence they put no extra or even required effort to fulfill their assigned duties.

#### **4.8.6 Culture of Connections**

Since PIA is a government organization, it has deep influence of politics in it. Mr Jawad Haider – Director General Manager Operation, PIA, mentioned during the interview that airline employees having connections with the politicians take undue advantage of it. Those who do not have direct connections with politicians build acquaintances with these people and groups are formed in every department of the airline. These groups of people enjoy the liberty of not performing their assigned duties and cannot be questioned even by the authorities. Private airlines also follow the same culture; here the employees built connections with the owners of the airlines and take escape from their duties. Shaheen Air International is a straight given case in this regard. Specifically the cabin crew has associates with the owners and cannot be questioned by the immediate authorities. If done so, the authorities face consequences and people with high connections can get away with anything they like. Serene Air being a new airline is also facing the same problem.

#### **4.8.7 Respecting the diversity**

Passengers are diverse; they come from different ethnic, socio, political and religious backgrounds. Serving one standard services and facilities would not entertain them all.

Airlines must keep in mind the diversity and provide accordingly. In-flight entertainment for example must include documentaries, movies, religious programs, political shows and others etc.

#### **4.9 AVIATION SECURITY**

Mr. Ali Nawaz – Director to Minister of Aviation, upon enquiring about aviation security mentioned that the airlines are not suffering because of security. Good security is being provided at the airports other than exceptional unfortunate incidents. Mr Zahid Qadeer – DFO Air Blue added on to it by saying that right next day after the unfortunate Karachi airport incident Air Blue was again flying with full load passengers. Since these incidents are very rare this has so far not affected the passenger load of the airlines otherwise speaking of the security status, the security services are satisfactory around the country.

## CHAPTER 5

### 5.1 CONCLUSION

No business, no airline in the world runs without facing challenges. It is not about avoiding the challenges but coping with them in a way to produce best outcome possible. Airline business around the world the world runs on very low profit margins as compared to other business with such heavy investments. Most of the Airlines in Pakistan are running on low profit margins. Their average revenue per year is not more than 2%. With such low revenue and high competition in the region airlines need to be pro-active in thinking and bringing innovations to stay in the market and progress. Airlines face many challenges in Pakistan. There are many reasons we hear every day as

- a. Why airlines are not progressing?
- b. Why Airlines of the country are not adding up to the economy of the country?
- c. Why Pakistan International Airline still remains as a burden on the economy of the country instead of supporting it.

Major reasons are very much understood. Our work culture, political interference, financial debts, corruption etc. are major weaknesses which might take decades to be completely eradicated by our governance system. Market must be liberalized yet regulated in order to achieve best outcomes. Role of government is essential for any industry but if it is restricted to facilitation and regulations. Many government practices have negative impact on the industry above all is heavy taxation specifically to the industry that is still in its initial phases or as Rostov call it Pre stages of Takeoff or even in Takeoff stage. Finances without any debate do have major role to play in the development of any industry and here

specifically speaking of airline industry which requires heavy investment. Instead of demanding heavy financial investments what is most important is how to utilize the available resources such as man power, available infrastructure and technology to generate maximum revenue. Civil Aviation Authority of Pakistan aims to promote and facilitate the aviation industry for its smooth operations but there are major flaws in its functioning which include poor and non-considerate infrastructure and poor management. The authorities of CAA, if cooperate with the airlines, together they can make the airlines profitable.

Customer service remains as a key to success for airlines. Passengers paying for a particular flight prefer airline that provides most services such as in-flight catering, passenger comfort inside the cabin of the aircraft as well as passenger handling at the airports etc. Passengers certainly would avoid airlines that give unnecessary strain of baggage lost, flight delays and poor customer handling service. Most passengers are even willing to pay more than average flight fare to minimize chances of such misfortunes. Many employees are non-serious and unprofessional. With right attitude towards work and training in the field of human resources more output can be generated by the same employees and when hiring new, attitude may be kept prior to skills. There is need of change and this change must begin from top to bottom. Most of the professional attributes are learned from top and they travel down. Top authorities of airlines must open their doors and be physically available to know the needs of the company in terms of technical and human. The investment must be made in the right directions such as technology and services to bring forward positive change.. Airlines in Pakistan have humongous scope of growth if well taken care of.

## **5.2 RECOMMENDATIONS**

The airlines should give priority attention to seeking ways to augment the ability of the study to contribute to understanding of operational disparities in the system. Government support and actions, lack of finances are not quick fix problems for the airlines and to some extent beyond the reach of the airlines. Therefore airlines must focus on what is in their reach and capacity. Key attention must be paid to human resource and customer service. Improvement in the quality of their man power and customer service can bring drastic change in the revenue of airlines. Based on the interviews and research made for the study, following are the suggested recommendations.

### **5.2.1 Government Support**

There are many factors that need to be focused on in order to improve service and have healthy competition in the country. It not only provides continuous urge of improvement but also forces airlines to bring innovations. Instead of the demand of the restricting air policies that favor national airlines, airlines must improve their standards and compete with the foreign airlines specifically operating in their country to start with. Government must act as facilitator and where needed biased to support the airlines of the country. Relaxed regulations may be made in order to encourage emergence of new airlines. Healthy competition must prevail among the airlines of Pakistan, minimizing the benefit foreign airlines are taking from our region.

### **5.2.3 Issue of Finance**

Finances are certainly a big issue for running such heavy cost industry and specifically when it is being run on marginal profit. Airlines must start small and build bigger out of it. Overnight finances cannot be built up; this would require time, patience and a lot of smart

and hard work for the airlines, for this purpose airlines need to focus on other factors to attract more passengers and hence more revenue.

### **5.2.3.1 Making Best Use of Available Resources/Finances**

It becomes part of the vicious cycle where companies are not making money because of lack of money and lack of money is why companies are not making money. In order to break this cycle companies must adapt strategic planning to utilize the available resources to their best. Having good knowledge and management of financial skills is the key to management of airline finances. One of the most miss managed department is the crew planning and scheduling. Miss-managed scheduling can cost heavy on an airline. Advance crew management systems must be made / bought in order to avoid this problem.

### **5.2.3.2 Low Cost Flight Strategies**

Airlines should be innovative in filling the seats of every flight scheduled. Most of the passengers in Pakistan look for cheap flights. Passengers travelling either for work or pleasure prefer taking a flight that does not go heavy on their pockets. Airlines must keep estimate of number of seats that go empty on a particular flight. This number of seats then can be kept in future at cheap fares with no additional services being provided. This particular number of seat passengers may be given privileges of a low cost carrier only. This way a flight will not go with empty seats and will attract more passengers to the airline for its fares that may in this particular case go lower than other competing airlines on the same route. (Islam, 2018)

Similarly other strategies can be thought over and implemented to attract more and more passengers to the airline. Lower fares and other attractions may be included in the deals offered by the airlines.

### **5.3.4 Role of CAAP**

#### **5.3.4.1 Utilizing Airports as Economy Boosters**

Airports are not just stations used for the transit of passengers. They could be utilized for so many other purposes that may help the economy of the country. Many airports around the world are now built to attract people.

Airports can be much more than transit stations; they can be business centers, shopping malls, dining and relaxing spots. Many airports around the world are changing and adapting to this new model. It may need a lot of construction and modification for the airports already built but in developing countries like Pakistan where there are very few airports made already, while constructing new airports this design of passenger experience can be kept in mind. The idea that every person who visits feels welcome and warmth and experience that is worth spending money to. This will also bring in passengers from other countries to travel by PIA in order to get the pleasurable experience of Pakistan Airports. Hence the airports may act as strong revenue generators.

#### **5.3.4.2 Utilizing Small Airports**

Small Airports are not being utilized as they must be. Such airfields can be used for tourism purposes. Example being of the Mohenjo-Daro airport, which is a tourist destination but airport is not utilized for this purpose

## **5.2.4 Customer Service**

### **5.2.4.1 More Service Offering By the Airlines**

Airline business is much commoditized business; almost all airlines fly same aircraft, have same routes and serve same kind of people. Give and take all airlines are also maintaining same price in ticketing. In order to compete in a situation like this, airlines need to heavily focus on the services provided by them. The very first way of differentiating themselves from competitors is emphasizing on in-flight services. Singapore Airline, is one of the prime examples, where they claim to have maintained gold standard of in-flight services which is paying them back. From recruitment of flight attendants to passenger handling before, during and after the flight, every bit is taken seriously. Another factor is to build relationship with their customers. This can only be done by building loyalty in the customers for the airlines. Loyalty stays as the cherry on the top. The basic foundation is built on the basis of the services, offers and additional products given away to attract passengers. It could be anything from discounted offers, loyalty membership cards, airport/accommodation pick and drop, better food quality that would enhance the image of the airline in the eyes of passengers. Airlines can associate themselves with the companies that are not linked with travel and tourism and offer packages covering wide spectrum of categories in passengers. (Thomas, 2011)

“You absolutely, positively have to innovate-if only to survive”- Fred Smith, CEO FedEx

### **5.2.4.2 Happy Employees, Happy Customers**

In order to satisfy customers / passengers and make flight a pleasant experience for them, it is important for the airline to make sure that the airline crew is happy and pleased with



the airline. Only a happy employee can give happy experience to its customers. Even at the early development and growth stages this can bring a massive difference.

### **5.2.5 Human Resource**

#### **5.2.5.1 Corporate Practices**

The attitudes and behaviors of top management are contagious and travel down to every single employee. It is the top management that has to encourage, from top most to bottom most, every employee by setting their own example and demonstrating their involvement with the employees. Not only this they must make every employee feel important and valuable for the company, if this done right, the employees will feel responsible and important part of a company they would certainly take the progression of the airline as to a personal matter and hence deliver their best.

#### **5.2.5.2 Hire for Attitude, Train for Skill**

*I have never seen the team that managed a company into a crisis get it back on track. -*

(Greg Brenneman, President and CEO, Continental Airlines, 1998)

When looking for people to work for any company in this case, airlines. The top management is looking for someone with right personality that suits the company culture. Those who have a positive approach towards their life and work and bear a positive mindset. Those who are dedicated can only bring suitable environment for team work; the kind of people who love and enjoy their work and never take it as an imposed or obligatory task. Running big businesses without team work is impossible hence choosing a team that would work in coordination and with great cooperation and enthusiasm is beneficial for the company. If a person is highly skilled but lacks qualities that would make the environment unhealthy to work will be the toxic person in the team affecting the people

around him as well. Wrong attitudes may include unwillingness to work, lack of motivation for improvement, underestimates the significance of his job and many more. Hence it has been seen that most successful CEO's around the world when it comes to hiring new people are always looking for people with right attitude and not those with high skills. As mentioned earlier, skills can be taught but what cannot be learned is the right attitude. Similar is the case with the airlines in Pakistan. Regardless of how low airlines are going on their finances and other major problems mentioned earlier in the study, if every employee works for the airline with right attitude, airlines will never suffer. If every person feels the significance of his job and its impact bring the change the airline at a bigger level, if every employee feels motivated by the growth of the airline it would automatically incite positivity, honesty, hard work and dedication among them. These are the key ingredients for the success of any company being run.

*“If I had known being nicer to our customers was going to work so well I would have done it years ago” - Michael O'Leary, Ryan Air, 2012*

### **5.2.6 Aircraft Maintenance**

Airlines however cannot invest on heavy maintenance infrastructure at every major airport hence at the point the on-going practice is suitable.

#### **5.2.6.1 Myth of Aircraft Age**

In National Aviation Policy of Pakistan, no aircraft older than 15 years can be brought by the airlines. This policy should be reconsidered. A well maintained aircraft even older than 15 years will work just as fine but will cost cheaper to the airline and will encourage airlines to expand not only their fleet but air routes too.

### **5.2.6.2 Selection of Aircraft**

If a small turboprop aircraft is operated on these small domestic sectors, good amount of revenue can be generated. Operation cost of a turboprop aircraft is low and will cover the market that is not being addressed already.

### **5.2.7 Technology**

Cheaper and better software can be made in Pakistan. Improvement in the technology sector will also be a key to attracting more business. Introducing user friendly technology which may help the passengers in bookings, ticketing and baggage handling etc. it will not only be efficient but bring convenience to the passengers.

### **5.2.8 Ethics/ Morality**

Strict and Intolerable policy must be made and actions must be taken by the airlines on the conduct and morals of the employees. Trainings and education must be provided to serving employees on their code of conduct during the working hours.

### **5.3 LIMITATIONS AND FUTURE DIRECTIONS OF THE STUDY**

The study is very limited to only few points and even these points are not being studied deeper the way they could have been. There is massive need to go deeper into every point that has been mentioned in the study and special focus needs to be made on the Customer Service and Human resource. Individual research can be made on each point and discussed profounder into the roots of the issues.

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