

Major Indian airline grounded, threatening 23,000 jobs

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Jet Airways, until recently India's largest private airline, has been forced to ground all its aircraft since last Wednesday, threatening the jobs of its more than 23,000 employees. The airline announced the grounding of all flights with immediate effect after it failed to secure funding from investors to pay for fuel and other bills.

With around \$1.2 billion in bank debt, the country's oldest private airline was desperate to secure a stopgap loan of about \$217 million from its lenders as part of a rescue deal that had been agreed to in late March. But the lenders balked at advancing the funding. As the airline said in an April 17 statement, "Since no emergency funding from the lenders or any other sources is forthcoming, the airline will not be able to pay for fuel or other critical services to keep the operations going."

The grounding of Jet Airways poses the immediate danger of massive job losses and demonstrates how the company, its shareholders, and lenders are determined to place the burden of the airline's crisis on its workforce. All Jet Airways employees have yet to receive their March salary, and its pilots, engineers and senior staff have not been paid since January.

Desperate Jet Airways employees demonstrated in New Delhi and Mumbai last Thursday, calling for government intervention to bail out the airline. They displayed placards saying, "Save Jet Airways, Save our family".

The collapse of Jet Airways has taken place in the midst of campaigning for India's general election and presents the government of Prime Minister Narendra Modi with yet another crisis. Modi and his Hindu supremacist Bharatiya Janata Party (BJP) have boasted about India's "world-beating" economic growth. But numerous reports, including from government agencies,

have pointed to a sharp rise in unemployment among all sections of the population, from rural women to university graduates.

In a desperate attempt to derail mounting popular opposition from working people and rural toilers over mass unemployment and under-employment, social inequality and poverty, Modi and his BJP have been whipping up communal animosity against Muslims and tensions with Pakistan.

Jet Airways officials and lenders are searching for an investor willing to acquire a majority stake in the airline. Naresh Goyal, the founder of Jet Airways, is reportedly working with Future Trend Capital, headquartered in Delaware, and London-based Adi Partners to put together such a deal. Jet Airways's lenders, for their part, are endeavouring to secure bids from US private equity firm TPG Capital and Indigo Partners, which owns a controlling interest in the ultra-low cost US carrier American Frontier Airlines.

India's government-backed wealth fund, the National Investment and Infrastructure Fund or NIIF, and Abu Dhabi-based Etihad Airways, which already owns a 24 percent share in the grounded airline, are also being tapped as potential takeover candidates.

The airline's lenders, including the State Bank of India (SBI) and other Indian government-owned banks, have issued a May 10 deadline for potential buyers to submit their binding bids. According to Ashish Nainan, aviation analyst at Care Ratings, "Even if a deal is reached it will take considerable time to get Jet back in the air." This means that Jet employees, who have not received salaries for one or two months, will be left waiting weeks and months more without pay.

Any "rescue" plan for Jet Airways will be implemented at the expense of the jobs, wages and working conditions of the airline's 23,000 strong

workforce, who will bear the brunt of the “restructuring” measures needed to boost the company’s profitability. Jet Airways Chief Executive Vinay Dube admitted in a communication to employees: “We don’t have an answer today to the very important question of what happens to employees during the sale.”

Jet Airways, which was India’s second-biggest airline by market share until last November, operated more than 120 planes and well over 600 flights daily at its peak. In recent weeks, being unable to pay its staff and for fuel and other critical services, the airline was forced to cancel hundreds of flights and halt all international flights.

The grounding of Jet Airways is part of a global aviation industry crisis. Confronting rising fuel prices, airlines are engaged in cut-throat competition with each other for market share. Airline workers’ wages, jobs and working conditions and passenger safety have all become casualties of their desperate attempts to cut costs so as to keep their companies operating, and ensure the continued flow of dividends to their shareholders.

Last September, Ryanair workers across Europe took strike action to demand higher wages and better conditions. Ryanair became Europe’s largest budget airline through poor pay and working conditions, high levels of exploitation, and the widespread use of contract labour.

The airline crisis has severely affected most Indian airlines. Kingfisher, a major private carrier founded by beer tycoon Vijay Mallya, was grounded in 2012 at the cost of thousands of jobs after failing to make payments to bank lenders, staff, and airports. Spicejet, another low-budget private airline, was saved from collapsing at the last minute in 2014.

Air India, the country’s state-owned carrier, is heavily indebted, with its short and long-term debt totaling \$10.3 billion as of March 31, 2017. It is surviving thanks to bailouts totalling billions of dollars. Modi’s BJP government sought to privatise the airline last year, but had to abandon the attempt after failing to secure a single bid by its May 31 deadline. The airline’s crisis continues to be borne by its workforce, which routinely waits weeks and even months for their pay, and by the working class more broadly, which is funding the bailouts through increased taxation and

austerity.

The Jet Airways’ crisis has been exacerbated by the growth of low-cost competition in India’s domestic market since the mid-2000s, rising fuel prices, and the depreciation of the Indian rupee. As a result, the airline owes large sums to its suppliers, pilots and other staff, and oil companies. The airline has made a loss in all but two of the past 11 years, and defaulted on loans due to be paid by December 31, 2018.

Last year, the Modi government approached Tata Group to ask for its assistance in rescuing Jet Airways. The crisis deepened still further when companies that were leasing planes to Jet Airways refused to continue doing so as the airline’s imminent collapse became increasingly apparent.

Following its grounding, Jet Airways’ share price plummeted 34 percent Thursday, reaching its lowest level since April 2009. This underscores investors’ scepticism over prospects for the airline’s revival. Moreover, it confirms that in exchange for any “rescue,” investors will demand a savage cost-cutting programme at the expense of workers’ jobs, wages and workplace conditions.

The grounded airline’s rivals have rushed to take advantage of Jet Airways’ withdrawal from operations. Spice Jet said it would add 27 planes over the next two weeks, and saw its shares surge by 15 percent on Thursday. IndiGo, now the country’s biggest private carrier, is also adding new planes.



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