

Striving for flying in COVID – Pakistan International Airlines

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Abstract— This case study was written for undergraduate classes of business and public administration as well as in aviation management. It can be taught in courses on strategic management, aviation strategy and policy. The case is helpful in teaching students the practical knowledge about Air safety, Flight management and SMS model.

keywords— strategic management, aviation strategy, Air safety, SMS model. Situation PIA, EU flights bans,



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CASE

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Flying in the time of COVID was not less than an unplanned trip and unstable travel due to travel restriction and imposed bans by states & governments. People from the entire world faced different kind of problems due to the pandemic such as they lost their jobs, unable to see their loved ones and compulsion of isolation or quarantine. Beyond what countries decide, individuals still need to balance benefits and risks of the decision to travel, and with most cruise ships not operating at the moment, the focus for international travelers is on flying. The very idea of being in close proximity to strangers with an unknown infection status for hours is understandably a concern, although cases of SARS-CoV-2 transmission on aero planes have been very few so far. After the emergence of COVID-19, airlines and airports introduced new rules and measures to minimize the chances of infection with SARS-CoV-2: wearing masks in airports and on aeroplanes, expanded cleaning of public spaces to reduce the presence of the virus on inanimate surfaces, physical distancing (at least 2 m), and hand sanitizing. Some airlines have reduced the number of passengers allowed on a flight to guarantee more distance between travelers or they have cancelled food and drink sales during the flights. Despite concerns about the spread of SARS-CoV-2 through air ventilation, aeroplanes benefit from air-conditioning systems with far more sophisticated and effective filters than those generally found on the ground. The high efficiency particulate air filters used on aeroplanes have been found to remove almost all particles of the typical size of coronavirus.

What does the future hold for travelers? The availability of a COVID-19 vaccine will be instrumental in reinstating confidence in travelers. However, it is expected that many airlines will cut services such as meals, drinks, and free magazines, not so much for economic reasons but as a way to limit so-called touch points, which are opportunities for SARS-CoV-2 transmission via close physical proximity between flyers and crew. Rapid testing for COVID-19 for both crew members and passengers could become a regular feature. Enhanced cleanliness and sanitization will become the norm. Use of masks or other protective equipment will become more common. Touch less technology will reduce human interaction and facilitate payments and processes linked to travelling.

PIA:

Background and Negligence:

Pakistan International Airline has been a flag bearer of Pakistan for many decades. It was the first Asian airline to operate a jet plane and it was a major success story of the 60's and the 70's in the aviation industry Pakistan International Airlines (PIA) was successful up until the late 90s, but began to decline in 2000, largely as a result of aviation policy issues, frequent changes in management, interference of unions and poor decisions ([Appendix 1](#)). After a failed attempt to privatize the airline in 2015, the new government in 2018 put in place a new management team to improve the airline's performance with a new strategy to first fix and transform PIA, and then plan for privatization. In its corporate history, PIA has never been through such challenging times as that of the situation confronted in the year 2020. PIA just found itself to be in control of its legacy

issues in the year 2019, the overwhelming situation initially posed by COVID-19¹ Pandemic² were further compounded due to unfortunate incident of PK/8303³.

Nevertheless, PIA had no choice but to make sure that the crucial lessons of these events are fully translated in tangible safety improvement related measures. In the second half of the year, PIA has been recollected itself and orchestrates measures for long term sustenance of a "Just safety culture". Their vendors were just not confined to instituting in-house corrective actions, but were also expanded to unleash industrial practices through consultation especially from the standpoint of improving their Safety Management System.

EU⁴ flight ban

PIA was already struggling financially with more than \$4 billion (729,701,200,000.00) PKR in accumulated losses, when flights were grounded in March because of the pandemic. Just as it resumed operations in May, a domestic PIA flight crash in Karachi killed 97 of 99 people on board. An initial inquiry pointed to a number of safety failures, and sparked a disclosure from authorities that nearly a third of PIA's pilots may have falsified their qualifications, prompting EASA⁵,

1 Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus.

2 A pandemic is an epidemic of an infectious disease that has spread across a large region, for instance multiple continents or worldwide, affecting a substantial number of individuals

3 On 22 May 2020, Pakistan International Airlines Flight 8303 crashed into Model Colony near Karachi on final approach to Jinnah International Airport inbound from Lahore, after both engines were damaged by scraping the runway in an apparent gear-up landing attempt, killing 97 of 99 on board.

4 European Union

5 European Union Aviation Safety Agency

The U.S⁶. Federal Aviation Administration (FAA) and other regulators to ban PIA flights. The European ban hurt PIA revenues from overseas sectors such as London, Manchester and Birmingham that were to be a cornerstone of PIA's turnaround strategy. The business plan put together by the PIA management last year saw those UK⁷ routes and new European destinations as key to its turnaround strategy (discussed in strategic and operational level), which also involved inducting at least seven new aircraft to its fleet by 2022. For PIA, the year 2020 would be a break-even year followed by return to profitability in 2023.

Expansion plan:

As PIA was going through financial and safety issues the expansion plans were on hold, and the airline plans to revise its turnaround strategy in consultation with the International Air Transport Association (IATA). IATA, The International Air Transport Association (IATA) is the world's trade association for airlines. Our current membership of 290 persons accounts for 82% of global aviation traffic. We have helped to develop the business standards that have served as the cornerstone for the global air transport sector since our beginning in 1945. Find out what it means for an airline to be an IATA member and what the benefits of utilizing an IATA registered travel agency are below. Its objective is to lead and support its members, as well as to promote their interests in a way that benefits the airport transportation business. Which is to begin an operational safety audit of PIA, the audit process was standard practice after aircrafts of registered airlines met with accidents. But the PIA and IATA could not confirm or discuss the body's consulting projects keeping in view commercial confidentiality and in audit PIA got operations clearance certificate. As stated in its turnaround

6 United states

7 United Kingdom

strategy, PIA's plans to divest non-core businesses such as food catering and ground handling remain on track and it is also set to hire an international consultant to advise on legacy debt. The business plan noted that PIA's share of international flight traffic into Pakistan had fallen to 27 percent in 2019 down from 42 percent a few years prior. Aside from operational issues, the report cited competition from Middle Eastern airlines as one of the main reasons behind the market share decline, and it proposed that Pakistan revisit its open skies strategy to allow PIA to be more competitive.

The recent bans however, risk further denting PIA's market share with carriers such as Virgin Atlantic⁸ recently announcing direct flights into Pakistan to fill the PIA void. The new projections of PIA's market share are being calculated, adding the airline's management believes the decline on an annual basis will not be "as brutal as predicted," due to the pandemic slowing down global traffic.

Strategic and operational level

Business turnaround strategy

The new management team of PIA developed a 5-year business plan and turnaround strategy, with finance playing a pivotal role in its development. 2019 was the first year of the plan and focused on strengthening governance⁹, recognizing that no strategy would succeed without a foundation of good governance and the right culture. Priority

8 Virgin Atlantic, a trading name of Virgin Atlantic Airways Limited and Virgin Atlantic International Limited, is a British airline with its head office in Crawley, England.

9 Governance is the way rules, norms and actions are structured, sustained, regulated and held accountable. The degree of formality depends on the internal rules of a given organization and, externally, with its business partners.

actions taken included embedding a culture of merit and performance with over 1,000 promotions awarded, while at the same time instilling discipline through more than 700 disciplinary actions.

Accountability and performance were also improved by connecting department performance KPIs¹⁰ to the overall organization performance matrix. Breaking silos within the organization structure was a huge challenge, which was addressed through collaboration with HR¹¹ to set up cross functional project teams and develop team performance matrices, where individuals' performance outcomes were linked with team outcomes to promote a strong culture of team work. To bring credibility to the finance data and to be able to use it to inform the transformation, management worked with the auditors to resolve financial reporting issues and outstanding audits and addressed issues with the ERP¹² system.

The second year of the plan was centered around a principle of consolidation to ensure changes were fortified to become part of the DNA¹³ of the organization. From year 3 onwards, the focus will shift to growth.

Open Skies Policy

Open sky refers to an agreement between two countries to allow any number of airlines to fly from either of them without any restriction on number of destinations, number of seats, price and so on. However, this is a general definition. In

10 KPI stands for key performance indicator, a quantifiable measure of performance over time for a specific objective.

11 Human resource management.

12 ERP stands for enterprise resource planning. It's software that manages a company's financials, supply chain, operations, commerce, reporting, manufacturing, and human resource activities.

13 Organizational DNA is defined as the underlying factors that together define an organization's "personality" and help explain its performance.

actual practice, there are always some restrictions. During the 1990s the government of the Islamic Republic of Pakistan considered an Open Skies Aviation Policy legally, and signed a memorandum of understanding with several countries of the region and outside. These conducts were opted in a rush without determining the implications of "Open Skies" for Pakistan's carriers. Pakistan International Airlines, which was at that time majorly depending upon domestic and racial passenger traffic, suddenly found itself contending with outside carriers at even nationally in home. The resultant chaos led to more mystification in the minds of unethical officials, the regulatory entity and of course the national carrier. Each was observing closely through its circle of interest, bit realizing the negative projection of the actions, or the inactions, on the state of the civil aviation authority of Pakistan in overall, and the airline industry in particularly.

Flying In the Time of Covid.

Time flies, but these past two years have surely felt never-ending. As the world quarantined at home, aviation was one of the industries that were hit the hardest. While airlines around the world struggled, the situation in Pakistan was worse than many others. Is the hardest part over?

In Pakistan, the flight suspensions started coming into effect around March 2020, when the government introduced stricter measures and clamped down on flights by completely shutting down air travel. Aviation industry across the globe has been badly hit by Covid-19 pandemic. PIA took early actions from February 2020 before many of the global shutdowns began, which include:

- Developing a 'cash ICU'¹⁴, engaging with financial institutions, major vendors and suppliers to pre-empt and manage cash flow crisis better.
- Operating early repatriation flights. In total 300k Pakistanis have been repatriated, many from regions PIA had not previously flown to.
- Quickly shifting to remote working.
- Adoption of strict operating procedures to ensure passenger and crew safety.

In the wake of the COVID-19 pandemic, PIA will continue to face a very challenging and uncertain environment. Priority areas of focus will remain on cash flow management, motivating and retaining talent, and improving product and service quality and safety.

Air safety

For PIA, the challenge was even more complex due to unfortunate incident of PK-8303 in the month of May 2020, which was further amplified by the licensing issue and linked EASA suspension. The traumatic effect was adverse but the PIA leadership withstood the testing times showing unparalleled resolve, keeping the airline afloat through requisite measures to aptly address the situation. The corporate flight safety division also redefined their standards of deliverance through the restructuring of roles and reinvigorated practices. More importantly, the safety issues are being accorded the highest priority as PIA team has embarked on the journey on prevention of incidents galvanizing the key enablers, including training solutions, reporting culture and enactment of safety policy. The gist of the efforts is principally about fostering a "Just safety culture" with proactive risk management.

14 The daily cash benefit of an insured individual is irrespective of the actual amount of the hospital bill.

SMS¹⁵ model adopted by different countries are based on four fundamental elements derived from the ICAO¹⁶ SMS model (appendix2). Table (appendix3). Represent the ICAO SMS model. At the heart of any SMS model is the safety Risk Management (SRM), this enables an organization to identify (appendix4). The hazards and mitigate the risks associated with these hazards to avoid serious incidents and accidents.

IATA's business plan

The plan involved financial restructuring to the tune of hundreds of billions of rupees, the officials at the helm of finance ministry and the planning commission demanded a business plan prepared by an international consultant for PIA. IATA's consultancy services were hired for that purpose, which after one year has developed a five-year corporate business transformation plan with the current year 2022 as the base year to 2026. The key points of the business plan encompass, financial restructuring, independent decision making, re-organization of the company structure, restrictions to core business, financial discipline, HR rationalization cost controls, review destinations, a fleet planning exercise and network expansion thereby increasing PIA's network spread and passenger uplift.

PIA's fleet is expected to grow from the current 29 to 49 by 2026, comprising 16 wide body, 27 narrow body and 6 turbo propeller aircraft. The fleet will be used to expand on current productive routes of UK, Saudi Arabia, UAE and Gulf

15 Safety management system: A safety management system in aviation commonly refers to a set of processes and tools to formally manage a structured safety program

16 The International Civil Aviation Organization is a specialized agency of the United Nations. It changes the principles and techniques of international air navigation and fosters the planning and development of international air transport to ensure safe and orderly growth.

sectors as well as be operated on identified markets of Baku, Hong Kong, Istanbul, Kuwait, Tehran, Urumqi and Singapore.

However, the plan has been made conditional to certain factors, most important of which is the commitment by the government of Pakistan to undertake the financial restructuring of PIA for The legacy debt on its balance sheets and which are beyond the serviceable capacity of the airline.

Reflexive level:

PIA reported a loss of Rs34.6 billion (144,432,786.80) PKR in the financial year 2020 (appendix5 & 6). Experts see the losses to have increased significantly in FY2021 because of the pandemic and more importantly the chain of events that ensued following the fake pilot licenses scandal, which saw Pakistani pilots ineligible to fly to US and Europe. As GDP and traffic recovery bounce back, propensity to travel should follow, expecting to recover 2019 levels by 2024. According to IATA traffic forecasts for Pakistan, compiled by Oxford Economics, domestic traffic is expected to recover faster than international, coming back to 2019 level by 2022 and 2024, respectively. The ECC¹⁷ recently approved a restructuring plan worth Rs457 billion (1,095,717,052,127.00) PKR for PIA to control its losses over the next three years by paying off some of the previous debt and writing off some of the loans. For this reason, the domestic market should be a priority for PIA in the short- and medium- term. Exultantly PIA's passengers would grow from 5.2 million per annum to 9.0 million per annum, and revenues would grow to \$1.7 billion (310,123,010,000.00) per annum by 2026. These initiatives would help the carrier achieve break even by 2025. The implementation of the IATA business plan would see PIA assets going

17 The Economic Coordination Committee (ECC) was formed in 1965 by the government, handing over.

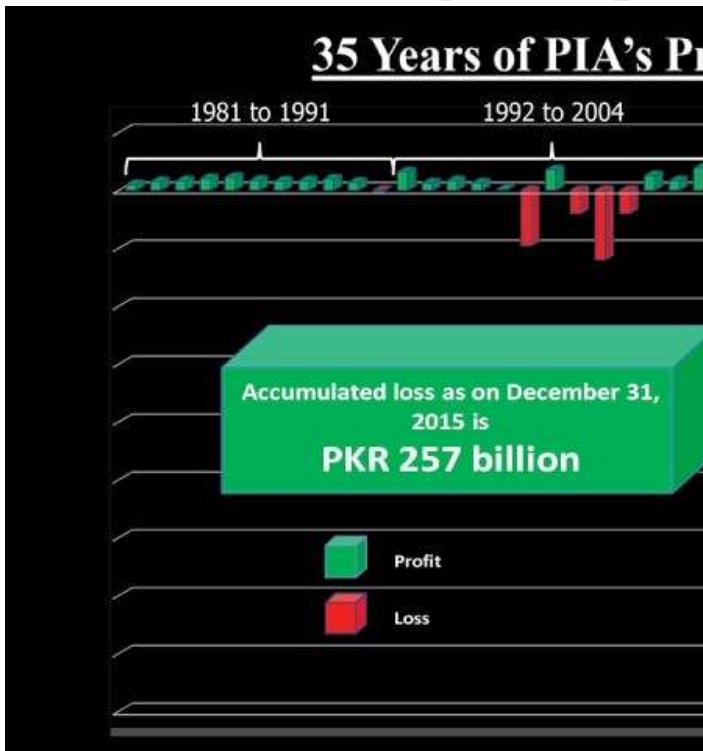
up from the current \$1.196 billion (to \$2.183 billion by 2026.

Conclusion:

As PIA was going through mega losses but there is always a hope to do better. After EU ban and covid, PIA made turnaround strategy to recover their financial operation. The main reason of ban was safety issues afterwards PIA introduced ‘just safety culture’ in which the management develop SMS system to solve security issues. After 2020 IATA made a 5-year plan for the betterment of PIA position. The plan starts working from April 2022 and will gave great feedback.



Appendix 1:



Appendix 2:

Appendix 3:

ICAO SMS table:

ICAO safety management system		
Four major elements		
Safety policy and objectives	Safety risk management	Safety assurance
Twelve sub elements		
Management commitment and responsibility	Hazard identification	Safety promotion
Safety accountabilities	Safety risk assessment and mitigation	The management of safety risks
Appointment of key personnel		Continual improvement
Coordination of emergency response plan		
SMS documentation		

"Aviation safety management systems", by Richard Yeun*, Paul Bates and Paul...

Appendix 4:

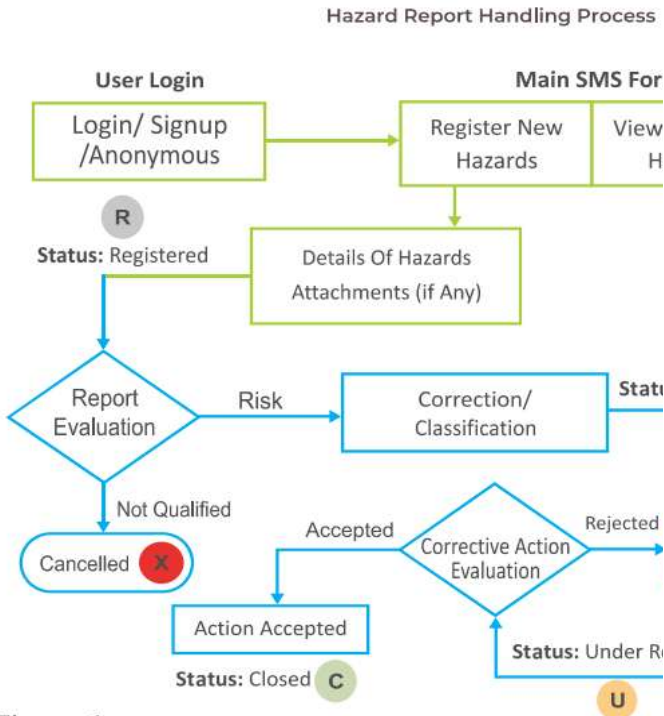
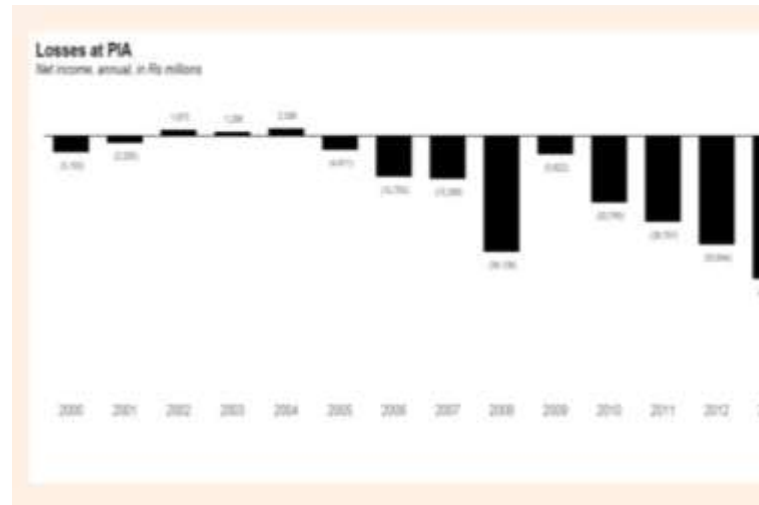


Figure -1



Appendix 6:
 PIA expenses

Appendix 5:
 losses in PIA

