

The crisis of the pakistan international airlines p.i.a essay sample

[Transportation](#), [Airlines](#)



This research is done to identify the reasons for the crisis of the PIA. An airline which was once the pride of Pakistan and the favorite of expatriates all over Europe has today been placed under scrutiny. The research is also been done to create awareness among the nation to retrieve its lost status. This report also reveals the reasons which caused the organization heavy losses.

Pakistan International Airline (PIA):

Pakistan International Airlines Corporation (PIA) was the national flag carrier of the Islamic Republic of Pakistan. Founded in 1954, PIA operated both scheduled passenger and cargo services. The firm was 57% state-owned, with the remaining 43% held by private investors internal to Pakistan. PIA had been Pakistan's only airline for over 40 years, but in 1993 Aero Asia International Ltd. was born. By 1996, however, it had captured little of the domestic or Pakistan international market (only 5% of Aero Asia's sales were international). Two other recent entrants into the domestic market, Bhoja Airlines Pvt. LTD and Shaheen Air, had captured little of the market. The International Air Transport Association's (IATA) latest projections indicated that passenger and cargo traffic would double in Asia by the year 2010. Asia was expected to surpass Europe and North America in both size of fleets and passenger/cargo hauled. PIA was experiencing some of this growth, but its aging fleet was resulting in losses. Increasing numbers of flights were either delayed or canceled as a result of maintenance problems. Although a larger and larger proportion of the population was traveling by air, given the choice

of taking a PIA or foreign carrier, passenger traffic was opting for the latter. It was imperative that PIA modernize its fleet.

In addition to PIA's traditional passenger and cargo services, a growing proportion of sales was arising from the yearly Islamic Haj (pilgrimage) traffic to Mecca and Medina in Saudi Arabia. Demand had always been strong, but increasing numbers of Pakistani citizens were obtaining visas for the pilgrimage, as Saudi Arabia had recently shuffled the allocation of Haj visas among nations and Pakistan had benefited. PIA was a direct beneficiary of the increased visa allocation. PIA had originally planned to purchase new commercial aircraft to replace and add to their existing fleet. The fleet modernization program, however, was put on hold due to higher priorities within the Pakistan government in Islamabad. These priorities were established after a review by the IMF of the government's spending plan. Much to PIA's discomfort, the austerity plan proposed by the IMF did not include funds for modernization. PIA had been counting on this fleet modernization and had postponed the incorporation of some Federal Aviation Administration (FAA) safety directives. With the cancellation of the fleet modernization program, PIA now had to move fast to ensure compliance with FAA safety mandates, or face being locked out of some of its most profitable gates.

If PIA did not have some of these safety systems and quieter engines installed on their aircraft by June 30, 1998, they would be barred from U. S. airspace. PIA was in a predicament. It knew exactly what should be done, but government control—especially in these times of crisis—left it no choice.

Once PIA agreed to putting the fleet modernization program on hold, the managing board decided to pursue a fleet renovation program which would require much less hard currency. This plan called for extensively refurbishing PIA's existing aircraft at their new heavy maintenance facility in Karachi. For example, instead of the new quieter engines which new aircraft possessed, PIA would have to make do with the use of hush kits for the older engines. It would also require completely new cockpit avionics to take advantage of not only FAA mandates, but recent improvements in the Air Traffic Network (ATN) infrastructure. The first aircraft to be modified would be those utilized on their long-haul flights to the United States, primarily the B747 classics (Boeing).

Aircraft engine suppliers were approached first and negotiations concluded. What remained on the table was the cockpit avionics integration supplier. A cockpit retrofit program would require contracts both with the appropriate original equipment manufacturer (OEM), in this case Boeing, and a systems integrator, such as Avicular. Prior to the adoption of the economic austerity plan, Karachi had been the sight of an intense competition between the largest OEMs, Boeing, McDonnell Douglas, and Airbus, for new aircraft sales. It was only after the adoption of the austerity plan that Boeing was willing to discuss cockpit retrofits instead.

Due to ACI's extensive experience with a variety of control systems for Boeing, its history with PIA, and its recent work on cockpit retrofit for McDonnell Douglas aircraft, ACI felt it was truly the preferred supplier for PIA. ACI believed that if any other vendor were selected, the added regulatory

certification costs and delays would be prohibitively expensive. However, ACI had not undertaken Boeing cockpit retrofits to date (no one had), and looked to the PIA deal as an opportunity to build a new competitive base. But ACI's best and final bid had been too high. PIA's insistence on payment in local currency terms was now thought to be a tactic to extract better concessions from ACI and their agent, Makran.

Current Fleet

The Pakistan International Airlines fleet includes the following aircraft (as of April 2007)

- 14 Airbus A310-300 (2 wet lease from Saga Airlines)
- 2 Airbus A321-200 (Wet lease from Inter Airlines TC-IEF & IEG)
- 5 ATR 42-500 (2 on order)
- 7 Boeing 737-300
- 3 Boeing 747-200 Combi (1 leased from Air Universal for PIA Express)
- 6 Boeing 747-300
- 4 Boeing 777-200ER
- 2 Boeing 777-200LR
- 2 Boeing 777-300ER (1 on order)
- 1 L1011-500 (wet lease Luzair OD-MIR)

Current Situation of PIA:

Earlier in March 2007, much of PIA's fleet was banned from landing in the European Union because of safety concerns. The ban affects 35 of the airline's fleet of 42 aircraft, with just seven Boeing 777s exempted. The EU

said last year it would ban flights unless the airline revamped its ageing fleet. PIA said last week it strongly opposed the planned ban, which it did “not consider justifiable”. The airline’s flights to London, Paris, Rome and Amsterdam will be among those affected. The EU said it based its ruling on safety concerns surrounding the condition of PIA’s fleet of 747s and Airbus 310s. The EU has allowed the airline to continue to operate its flagship 777s. This came after the firm suffered heavy financial losses and had to ground part of its domestic fleet. PIA has just shown a deficit of over 22 billion, with losses spiraling to over nine billion in last two quarters.

Reasons for the crisis of PIA:

The reasons for the present conditions of the Pakistan International Airline are numerous, but the most essential of all is the weak management. The management’s disinterest in the progress and reputation of the company also resulted in crisis, and the other reasons include the miss use of borrowed funds. These funds were noticeably used for renovation of Corporate offices, money is being spent on painting aircraft tails or pasting stickers on them; buying new limousines; frequent foreign visits are being undertaken by senior executives including the CEO; new flights have been started only to be suspended after sustaining huge losses; expensive new long range aircrafts were procured without taking approval for operating such flights to USA; the list goes on and on. High fare price for international and national destinations is also one of the causes for the current position of the organization.

One of important reason that PIA faces loses within Pakistan flights is good services of principal competitors in the country. Like Aero Asia and Shaheen Airlines. There is also a huge difference between the fare prices of the airlines. The fare price comparison of PIA and Shaheen Airline is given below

Price Comparison:

PIA ticket from Karachi to Islamabad one way costs

- 6500. 00 PKR without taxes

Shaheen Airline ticket from Karachi to Islamabad one way costs • 3640. 00

PKR without taxes

Air blue Airlines ticket from Karachi to Islamabad one way costs • 4868. 00

PKR without taxes

Poor Management:

Poor management is also important cause for the existing situation of the organization. Employees are not in control of management so employees do what they want and so do managers. Some policies from management is also costing the organization, for instance, Emirates Airline use only two employees per plane whereas in PIA there are five Employees per plane that means PIA is overcrowded which is definitely unnecessary, and by paying these additional employees it is costing a lot to the PIA. The other reason is misuse of funds; most of the funds were used for lavishness by managements instead of using it on the fleet to make it considerable for the international standards.

Questionnaire Results:

The questionnaire attached is used as a sample of research, we distributed it among the people who fly with PIA or used to fly with PIA for both domestic and international destinations.

Q. 1 Do you think PIA gives the value for your money?

NO = 87 % yes 13 %

Q. 2 Are you satisfied with the customer service you receive with PIA

NO = 74 % yes 26 %

Q. 3 Are you satisfied with the fleet that PIA carry.

NO = 81 % yes 19 %

Q. 4 Given another option (airline), with the same price, would you still go with PIA or would take the other option? (Especially International destinations)

NO = 5 % yes 95 %

Q. 5 Who would you consider responsible for the crisis that PIA is having?

Weak/poor management (38 %) or high fare prices (62 %)

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Yes no

Q. 2 Are you satisfied with the customer service you receive with PIA

Yes no

Q. 3 Are you satisfied with the fleet that PIA carries?

Yesno

Q. 4 Given another option (airline), with the same price, would you still go with PIA or would take the other option? (Especially International destinations)

Yesno

Q. 5 Who would you consider responsible for the crisis that PIA is having?

Weak/poor management high fare prices

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