



Fate of the aviation sector in times of COVID-19

Travel restrictions and fear of catching infection by being in a confined space with others has resulted in the aviation sector being one of the most hard hit by the COVID-19 outbreak. The free fall of revenue has forced airlines to recalibrate their course and alter their near future plans, including scaling back on capital expenditures.

With almost every country being in a state of lockdown or restricting entry of foreigners and operational flights flying at less than half their capacity, industry groups and analysts have speculated that most of the world's airlines could go bankrupt by end of May unless there is government intervention. As per International Air Transport Association (IATA) the possible hit to worldwide revenues this year could be USD 113 billion, and this is the estimate loss of revenue for airline companies alone.

While governments around the world have either already announced relief packages or are considering proposals to ensure that the sector stays afloat (as per news reports Government of India is considering various proposals, including temporary suspension of most taxes levied on the sector), industry experts are predicting that while almost all major airlines will finish the first quarter with significant losses, the smaller airlines would be forced to shut shop.

In order to reduce losses, airlines have either already reduced their operations or are planning to do so. An airline have recently cancelled international routes and has asked most of its contractual employees to go on unpaid leave, and as per news reports most airlines are planning to ground majority of their fleet.

Airline companies which do make it through this crisis, would be in a stronger position to influence and control prices due to less crowded skies. Further, smaller airlines on the verge of bankruptcy would be easy targets for acquisition. All this could have potential competition issues.

Failure of the airline industry would have a ripple effect on the broader aviation sector, including aircraft manufacturers as well as aircraft leasing companies, and could end up impacting tens of millions of jobs.

We continue business as usual and our attorneys and staff are available to provide our clients uninterrupted service. Please do not hesitate to reach out with questions or concerns at any time. We hope that you and your family remain healthy and safe throughout this global health challenge.

Dr Gopal Das Bhawan, 14th Floor, 28, Barakhamba Road, New Delhi - 110 001

Tel: +91 11 4213 0000 | Fax: +91 11 4213 0099

Bajaj Bhawan, 1st Floor, 226, Nariman Point, Mumbai - 400 021

Tel: +91 22 4910 0000 | Fax: +91 22 4910 0099

W: www.clasislaw.com

E: info@clasislaw.com