

Air India Ltd

Mass sick leave tests Tata's overhaul of Air India

Staff walkouts and passenger complaints shine spotlight on airline's challenges



Tata Sons took over the Air India franchise for \$2.4bn in 2022 © FT montage/Getty Images

Chris Kay in Mumbai MAY 14 2024

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Neetu Chopra was set to travel from Mumbai to Bengaluru to give a motivational speech last week when hundreds of cabin crew at Air India's budget carrier called in sick, disrupting nearly 200 flights.

The 35-year-old, who made headlines riding across India on a scooter to raise awareness for women's safety, spent a sleepless night at the airport. She was eventually rerouted through Jaipur but missed her event.

"How many people like me are suffering and are mentally harassed by this?" Chopra said. She will "never ever" again fly with [Air India](#) Express. "It was the very worst experience."

The walkout last week was the latest turmoil to hit Tata Sons' aviation business. Along with angering customers, it put the spotlight on challenges the 156-year-old conglomerate faces as it merges four different airlines and modernises the Air India franchise after taking it over in a \$2.4bn deal two years ago.

With steadily more Indians taking to the skies — the country has one of the world's fastest growing domestic aviation markets — the overhaul of Air India is crucial to New Delhi's attempts to position the country as a global hub, with dozens of new airports being built around the nation.

As the group attempts to introduce a new pay structure, restive staff could be Tata's "Achilles heel", said Addison Schonland, partner at AirInsight Group, a US aerospace analysis company.

"Airline employees have the ability to destroy the passenger experience and you don't want that in a highly competitive market," he said. "No airline can afford to fight with its employees . . . industry labour is at a premium and it must train many more."

Pilots at Vistara, a premier carrier Tata co-owns with Singapore Airlines that will be merged with Air India, also orchestrated a mass sick leave in April, upset at reduced guaranteed pay — now based on 40 flying hours a month rather than 70 hours. The staffing crisis grounded more than 100

ments.

The more recent Air India Express clash was only resolved after government-brokered talks with its employees' union resulted in the airline backing away from plans to dismiss staff. Tata did not respond to requests for comment.

Air India said it had revamped pay for flying staff to make it "market-competitive and productivity-oriented" and had introduced a new organisational structure, staff policies and benefits. "For the vast majority of staff, this resulted in substantial increases in take-home pay and improved benefits," the airline said.

As Air India's annual net loss widened 19 per cent to Rs114bn (\$1.4bn) in the 2023 financial year, its main rival IndiGo has become dominant in domestic passenger traffic and is rapidly building international capacity. Tata's group holds a 29 per cent share of India's domestic traffic and accounts for 56 per cent of international passengers among the country's airlines.

For Tata, aviation holds a nostalgic grip. The flag carrier was established more than 90 years ago by JRD Tata, the conglomerate's then leader and India's first licensed commercial pilot.

Air India radiated glamour even after its nationalisation by India's socialist government in the 1950s. It was marketed by Bollywood actors, ashtrays were designed by surrealist Salvador Dali and wines were personally selected by JRD, who continued to manage the airline.

But as the nation's economy opened up in the 1990s, Air India [struggled against low-cost competitors](#). It survived on publicly funded bailouts and has not been profitable since 2007.

Labour relations have regularly soured over Air India's nine-decade history and its staff have led some of the country's longest aviation strikes, including a walkout in 1974 that lasted more than 90 days.

Ratan Tata — the conglomerate's chair emeritus and a keen pilot like JRD — said in October 2021 it would take "considerable effort to rebuild Air India", even with the airline's prized landing slots and 59 direct routes.

Taking charge of the turnaround is Campbell Wilson, a straight-talking New Zealand-born aviation executive who previously headed Singapore Airlines' budget carrier Scoot. Wilson has said his goal is to [triple passenger numbers](#) and challenge Gulf hubs for layover traffic.

Along with building an IT system to replace Air India's many manual, paper-based processes, he is also reinjecting some of Air India's heyday style. Bollywood fashion designer Manish Malhotra was enlisted to create new uniforms.

Despite the change in ownership, Air India's reputation has taken repeated hits with complaints about bugs and vermin on planes, as well as its treatment of passengers.

Air India was fined Rs3mn in February after an 80-year-old passenger died when a shortage of

Air India was fined ₹50m in February after an 80-year-old passenger died when a shortage of wheelchairs meant he had to walk from the plane to the terminal. Cabin crew were also criticised for a fumbling response to a drunk passenger urinating on an elderly woman in business class in late 2022.

Wilson at a March travel industry event acknowledged Air India's "recently tarnished heritage".

He said the change in ownership was "traumatic" for some of its more than 12,000 employees as the group brought in merit-based contracts. Several thousand staff have retired which, with new hiring, has brought down the average staff age from 54 to 35.

Management has to be "ruthless", said Jitender Bhargava, a former executive director at the airline and author of *The Descent of Air India*. "You can't allow simmering discontent."

"It is going to be tough for sure," said Harsh Maru, an analyst at Emkay Global Financial Services in Mumbai, who expects the airline to take two years to sort out service issues. "There's a lot of negotiation going on."

Key to Wilson's plan is his [order last year for 470 jets](#), one of the industry's largest ever purchases, to upgrade Air India's fleet.

The average age of Air India's fleet is 15 years, compared with about four years at its main rival IndiGo, Maru said. Yet delivery delays of Boeing planes over safety concerns, as well as supply shortages at Airbus, may stall the airline's facelift.

"Air India is facing the same problem all airlines face: slow deliveries," Schonland said. "On the other hand, Air India has a lot of work to do internally. So perhaps the new deliveries coming in slower might not be the worst challenge they face."

Despite this, Air India has added one plane every six days on average since late 2023 and expects to sustain that pace this year, expanding its fleet of more than 200 aircraft across the group. The airline said it had also committed \$400mn to refurbish legacy aircraft from this year.

Such efforts are paying off already. Bhargava recounted a recent Mumbai-to-New York Air India flight as a "vast improvement" with "top-class" service.

"Tata does have deep pockets to invest," Bhargava said, before reaching for a cricketing comparison. "The rejuvenation of Air India is not a T20 game. It's a test match."