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How to overhaul PIA?

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by

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Introduction

The downfall of Pakistan's national flag carrier is one of the most dismal stories. The national airline which helped top airlines like Emirates, Singapore Airlines, Air Malta, Air Philippines etc. during their initial days, is now struggling for its own survival. This shift of PIA, from a trendsetting airline to a mediocre airline operator, has been met with fair criticism from the experts and from the public as well. After underperforming for nearly three decades and accumulating a debt of more than \$3.5 billion, the Government of Pakistan and Civil Aviation Authority (CAA) have approved the privatization of Pakistan's flag carrier recently.

The case of privatization of entities in Pakistan as a “quick solution”

Pakistan is not alienated to the idea of privatization of national entities. Under The Nationalization Order 1972, Zulfikar Ali Bhutto during his tenure, initiated the nationalization of private firms which resulted in putting a massive pressure on national expenditure. Those industries included iron and steel, cement, pharmaceuticals, power generating companies, chemical, gas and oil production companies, banking sector, agriculture, education and health etc. The role of private industrialists was minimized and suppressed, to the point of arrests of the top industrialists in the country. Since then, the privatization of the government owned firms has been taking place. These firms included Sui Northern Gas Pipeline Limited (SNGPL), Karachi Electric Supply Corporations, Muslim Commercial Bank (MCB), Pakistan State Oil (PSO) etc.

Both nationalization and privatization have their own pros and cons. Where nationalization carries the idea of a socialist welfare state where the state is taking care of its people, privatization on the other hand, encourages the business community of the country to step up and promotes a business culture in the country. Similarly, the nationalization of a firm consequently puts pressure on the national expenditure, sometimes hindering the operations of the firm due to financial reasons, and privatization may result in collision with the national interests. Privatization of state-owned entities in

Pakistan has been seen as a quick solution for the economic recovery and a way to restructure and rescue the firms from decaying due to the internal corruption and mismanagement. The incumbent government has devised a plan and formed a committee to overlook and assist the privatization of the loss-making state-owned entities including Water and Power Development Authority (WAPDA), Pakistan Steel Mills, State Life Insurance, and some real estate as well.

Coming back to PIA, the idea to privatize PIA is not new. The talks to transfer the ownership of Pakistan's national flag carrier have been going on for some time now. The main international airports i.e. Jinnah International Airport Karachi, Allama Iqbal Airport Lahore and Islamabad International Airport; which were being operated by CAA, have already been outsourced to Qatar Investment Authority. This decision was finalized in 2022 when Prime Minister Shabaz Sharif visited Qatar. The Roosevelt Hotel in New York, owned by PIA, has also been put on sale by the Ministry of Privatization. The last government estimated the net worth of PIA to be Rs. 30 billion, or nearly \$100 million USD. This includes a fleet of 32 airplanes as of 2020. A lot of private companies and businessmen have shown interest in acquiring PIA and participated in the initial informal bidding process, but the future of the ownership of PIA is yet to be determined.

There are a number of reasons for this unfortunate downfall of PIA, once an emblem of success and magnificence in the world of aviation. From the basic ticketing staff to the aircraft maintenance, service delivery and pilots, every department has failed to live up to the basic standards of international aviation. PIA and CAA are surely one of those institutions who have been most affected by mismanagement, corruption, greed and politics.

Policy Recommendations on how to overhaul PIA

Whatever the fate of the PIA's ownership will be, there is a lot to learn from the past and current situation of PIA and a lot to straighten out. Under these circumstances, the world's top airlines can bring valuable insights and can act as great sources of learning for modern policy making to lift PIA out of this miserable situation. The given policies are being suggested after carefully studying top airline models.

- 1. Training pilots and technical staff:** Nearly all the crashes in PIA's recent history had one thing in common, the pilot's error and inexperience to deal with emergency situations. Further inquiries have revealed a terrible story of fake flight licenses issued from CAA, which were acquired by pilots by paying hefty amounts to CAA management. The negligence of very basic safety concerns has led to imposition of flight ban on PIA in numerous countries. The importance of having a qualified pilot and technical staff associated with the aircraft cannot be emphasized enough as the lives of hundreds of people are in the hands of these few individuals. PIA must address this issue with utmost urgency. This must include

the introduction of a stricter pathway to becoming a pilot and acquiring a license. CAA must invest in advanced simulators and training on those simulators associated with a particular aircraft must be mandatory for every person aspiring to become a pilot. The simulator will be able to test the ability of the pilot under different circumstances. After this, there must be a limit of several thousand flight hours on simulators and training aircrafts to be completed by the pilot in order to be declared as airworthy by CAA. Taking such strict measures can minimize the chances of pilot's error in future and save precious lives.

- 2. Stricter regulations and accountability of the crew and staff:** The PIA's crew and staff fleeing and disappearing in other countries in pursuit of better life isn't usual. Unfortunately, PIA has not been able to put a stop to these disappearances, which bring immense shame to the country and become a security concern for authorities of those countries. To tackle this issue, the PIA must introduce stricter background checks and psychological evaluations for crew and staff and develop airtight accountability measures with serious implications for those who commit such acts.
- 3. The issue of empty flights:** The poor flight planning by the PIA management, especially during Hajj, brings considerable financial and operational losses to PIA. From 2017 to 2019, PIA operated more than 80 empty flights, accumulating losses amounting to more than \$1.5 million USD. This highlights poor coordination and a little to no demand for PIA travel in the countries in which it operates. Making the airline attractive to pump up the demand is one thing, but PIA's management should really focus on efficient flight planning and schedules to minimize these losses. This can be carried out by partnering with other international airlines to manage the outflow especially during Hajj and introducing an efficient schedule of travel for passengers on incoming flights.
- 4. The routes:** The routes of the airlines are considered assets and PIA can very well benefit from it. The most successful airlines in the world do extensive planning while assigning the aircrafts to a particular route. Small sized, medium sized and large sized aircrafts are assigned to short-range, mid-range and long-range routes respectively. Unfortunately, PIA has only two variants of aircrafts at its disposal, Boeing 777 which is long-range aircraft, and Airbus A320 which is short-range aircraft. On the other hand, the routes on which PIA operates highlight the need for more customized aircrafts. This lack of diversity in aircraft variants results in poor fuel economy. That is why PIA needs to design better routes suitable for the type of aircrafts that it has currently at its disposal.
- 5. The aircraft variants and fleet size:** According to PIA's own website, there are around 30 operational aircrafts currently. Some sources claim the number to be above 50. However, this number is extremely low in comparison to Emirates, Qatar Airways, Lufthansa etc. and considering the air travel needs of a country with a population of more than 240 million people. Among those 30 aircrafts, most are

older variants of the previously mentioned models with nearly outdated systems. This highlights a dire need to upgrade both the quality and quantity of aircrafts within the PIA's fleet. The introduction of fuel-efficient aircrafts like the new Boeing 777X, Airbus A350, Airbus A320 neo etc. will not only cut down the fuel expenditures, but also bring the much-needed diversity to the PIA's fleet. Having newer aircrafts will also help PIA fight the flight bans and restrictions in using air spaces of other countries.

- 6. Employees to Aircraft Ratio:** This is one of the most alarming aspects of PIA, and probably one of the biggest reasons for PIA's recent downfall. Employees to Aircraft Ratio is the measure of personnel dedicated to a single aircraft. In 2021, PIA had around 15,000 employees for 29 operating aircrafts, increasing the ratio beyond 500 employees per aircraft, most by any airline behind Syria. This overstaffing is mainly due to the influence of politicians and other stake holders, highlighting a common practice of nepotism within the institution. On the other hand, Emirates has a ratio of 230 per aircraft, Turkish Airlines has a ratio around 70, Singapore Airlines operates with 220 and Air India with around 120 personnel per aircraft. These numbers are less than half or one-fourth of the number of employees dedicated to a single aircraft at PIA. Bringing this ratio down and eliminating the monthly salaries of these unqualified individual, can give PIA a considerable room to breathe and help it stand on its own feet. It will also encourage qualified and deserving individuals from various professions like engineering, HR management, and skilled workers etc. to step up and serve the national airline.
- 7. Improvement in Services:** A lot of Pakistanis pay other airlines more just to reach their destination with comfort and on time. However, both things have been absent from PIA's priority list. Flight delays, poor servicing, unwelcoming staff, mediocre maintenance and cleaning of aircrafts etc. all contribute to a negative demand curve and hence, the negative reputation of PIA. This leaves a lot of room for improvement when it comes to serving the customers. PIA needs to pay heed to this factor.

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