



Go First crisis

Description

Theme:

- In May 2023, Go First Airlines approached The National Company Law Tribunal (NCLT) and filed for bankruptcy.

What led to the Go First crisis:

- Go First Airlines was started in 2005. In 2012, the company ordered engines from Pratt and Whitney company. Deliveries started in 2016. According to Go First Airlines, from the beginning, there were technical issues with engines delivered by Pratt and Whitney company. Moreover, it did not follow the upkeep contract, which means they have to repair the engine in 48 hours for free and have to pay compensation for the time the flight is grounded due to engine issues. But the company delivered engines with severe design flaws and poor quality, failed to provide sufficient spare engines, didn't follow the upkeep contract and charged the maintenance visits as per Go First Airlines.
- Go First approached the Singapore arbitrator and as per the arbitration ruling in March 2023, Pratt and Whitney have to provide spare engines so that the airlines can regain full strength by September 2023. But the company failed to comply with the ruling.
- With the engine issues, Go First had to ground 28 flights out of the total 56. Thereby, it ran out of cash and filed for bankruptcy in May 2023. It told NCLT that it owes Rs 6,521 crore to financial creditors.
- Since private companies entered the aviation industry in India in the year 1994, 27 airline companies are either shut down or gone into the ownership of other companies. With high capital and operational costs, airline companies are running on the business model of wafer-thin profit margins. Due to high competition, budget airlines started adopting aggressive pricing strategies a few years ago, which made the companies more vulnerable to bankruptcy. Hence there is a need to find long-term policy solutions to prevent the failure of more airline companies.



Consequences:

- Under the [Insolvency and Bankruptcy Code](#) (IBC), NCLT will decide whether to sell it to a new owner or sell its assets to different companies in bits and pieces.
- Go First has approximately 7% market share. At present, daily air traffic is increasing as more and more people are preferring to travel by flight. Moreover, due to the summer holidays, the number of passengers is even higher. So, it is a boon for the competitor companies temporarily. Due to high competition for limited seats, ticket prices may also go up till the other airlines increase the number of flights and seats.
- But removing 56 flights from the aviation sector suddenly is not good for the aviation industry because the high ticket prices may deter people from travelling on flights.
- The future of the 7000 employees of Go First Airlines is uncertain.

Way Forward:

- Many airlines including Turkish Airlines, Air Senegal, Air Tanzania, and Air Asia have problems with Pratt & Whitney engines. So, there is a need to force the company to comply with the March 2023 arbitration so that Go First Airlines will survive. If P&W provides the spare engines as per the agreement, Go First services can be resumed by September 2023.
- There is a need to find long-term policy solutions to prevent the failure of more airline companies.

Conclusion:

Go First filed for bankruptcy in May 2023. The main cause for this it says is the failure of Pratt & Whitney company to provide efficient engines. The future of Go First is uncertain.

Photo by [Sparsh Bhutani](#)

Your Turn...

What are your thoughts on the Go First crisis? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

References:

- [Bailing out: What went wrong at Go First Airlines](#)
 - [Aviation sector has an engine trouble. Go First crisis is a precursor](#)
 - [Go First Diwala \(Telugu article\)](#)
 - [Symptomatic stall: On the Go First crisis and the aviation industry](#)
 - [Go's stop: Another lurch towards a seller's market](#)
-

Copyright @ Group Discussion Ideas.
