



Potential Impact of COVID-19 on Auto, Aviation and Shared Mobility Sectors

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chase|india

FOREWORD

Since the spread of COVID-19 has gone global, the world has come to a near standstill. From optimistic views about the future of the economy, projections have moved to negative and analysts stand in agreement that the world economy is set to contract. India, too, has been hit by the extended lockdown, which has had analysts predicted a negative growth rate for the country, a first in nearly four decades. Within the economy, transportation is one of the key sectors that drives growth in India and is generally seen as an indicator of economic health. It too, has not been insulated from this impact. As people have come to a halt, this sector has been one of the worst impacted.

The Coronavirus outbreak has added to the woes of the already struggling auto industry. The pandemic had initially disrupted only the supply chain, but now with the ongoing lockdown, production has also come to a halt. Production shutdown across the country will impact the sector substantially. In this situation, the transition to BS-VI is going to be hampered as the mounting economic effects of the outbreak will dampen the consumer sentiment even further, leading to deferring of planned purchases. This coupled with a slowdown in aggregate demand portends a rough road ahead.

Similarly, the aviation sector is in dire straits. The sector has already been in patchy waters with assets stretched to their limits. Job losses and pay cuts have already begun and most airlines predict that they will go bankrupt if the present scenario continues for more than a few months. The biggest challenge of the industry will be to ensure the passengers that flying remains a safe option and that steps and measures have been taken to protect their wellbeing. If the situation of the industry especially the airlines is not dealt with extreme care and caution, the injuries sustained could become worse further pushing the industry in times of uncertainty.

Shared mobility, which was previously seen as the future of transportation has come to a grinding halt. Platforms and operators across the world have had to shut operations temporarily but being innovative with versatile assets, may give them a chance to fight another day.

Through this report, we look to bring to your notice developments and analysis from across the board. We hope to give you an insight into where the sector currently is, what it needs to move ahead and what the future may look like.

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INTRODUCTION

1. Introduction

1.1. About the Virus

On Dec. 31, 2019, Chinese authorities alerted the World Health Organization of pneumonia cases in Wuhan City, Hubei province, China, with an unknown cause. What started as a mystery disease was first referred to as 2019-nCoV and then named COVID-19. Like other respiratory diseases, COVID-19 spreads through small droplets—saliva or mucus—that an infected person expels when they cough, sneeze, or talk. These droplets can travel three to six feet and remain infectious for anywhere from four to 48 hours, depending on the surface.

In a matter of months, the disease has gone from being localized with the Hubei province to impacting almost every single country in the entire world. As of April 22, there were close to 2.5 million confirmed cases of the disease and 176,786 resulting fatalities across the globe. The disease has thus far shown an exponential growth curve, and while policy makers scramble to flatten the curve, the measures being taken have had major negative impacts on national economies and brought up the advent of the next global recession.

Total and daily confirmed COVID-19 cases, World

The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.

LINEAR

2.5 million

2 million

1.5 million

1 million

500,000

0

Jan 22, 2020 Feb 10, 2020 Mar 1, 2020 Mar 21, 2020 Apr 22, 2020

Total confirmed cases

Daily new confirmed cases

Source: European CDC – Situation Update Worldwide – Last updated 22nd April, 11:30 (London time)

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1.2. Economic Impact of COVID-19

To stop the spread of the virus, governments have sprung into action with unprecedented public-health and economic responses. Throughout the world, social distancing has now become the norm. This has, however, taken a toll on economic activity as people remain bound to their own homes and only essential economic activity taking place. Most recessions are caused by a slowdown in demand, a supply-side shock, or a financial shock. COVID-19 has been an outlier as it has simultaneously created all three at the same time. The impacts have been as follows:

1.2.1. Supply-Side Shocks

- **Disruption in Global Supply Chains:** Decades of deep economic integration have restructured international trade and investment. In modern global value chains, production processes are often spread across dozens of firms operating in multiple countries. When any link in the chain breaks, upstream and downstream suppliers and consumers are impacted too¹. The disruption that initially began with the locking down of Hubei province has now spread globally and has already begun to show the vulnerability of the supply chains. This effect is expected to compound as stockpiles of upstream input materials become dearer.
- **Reduction in Production Capacities:** With lockdowns and *social distancing* becoming the norm, labor intensive industries have all but temporarily shut down. Economic activity generated from businesses that require human interaction or human presence have been put on hold. Industries such as hospitality have seen a drop in revenue to nil for the foreseeable time being. As a result, aggregate supply has seen a dip across the world.

1.2.2. Demand-Side Trends

- **Consumption of Essential Goods:** With the world on lockdown, aggregate demand is expected to take a major hit. As people sit in their homes, and countries attempt to allow only movement on essential services, demand is expected to slow down.
- **Price Volatility for Essential Goods:** Moreover, the pressure of demand on essential services is likely to cause an increase in retail inflation if governments haven't created reserves and stockpiles on necessary items. This is already being seen in the now volatile market for personal protective gear, N95 masks and other medical equipment. In a

recent move, the United States of America was accused of hijacking a shipment of N95 masks scheduled to move towards France from off the tarmac.²

- **Increased Consumption of Digital Content:** A study by Comscore³ has shown an increase in the consumption of digital content in the initial days of the lockdown, and this trend is only expected to further strengthen as people remain locked up within their homes. Compared with the week of Feb. 10-16, 2020 visits to websites and mobile apps in the "General News" category increased by 61% in the week of March 16-22, 2020. However, most of the increase occurred recently: compared with the week of March 9-15, 2020, visits went up by 50% during the week of March 16-22, 2020.

1.2.3. Financial Shock

- **Liquidity Crunch:** In addition to creating a simultaneous demand and supply shock, COVID-19 has also put pressure on the already strained financial system across the globe. Across the board, central banks have used all the tools in the monetary policy arsenal to tackle the problem. Rate-cuts and quantitative easing have become the norm and are expected to go on for the near future.
- **Large-Scale Default:** While Central Banks have requested banks in their territories to start putting moratoriums on retail loans, countries have begun defaulting on loans owed to multi-lateral agencies. For the third time in its history, Argentina has defaulted on an IMF loan. An estimate by economists Pierre-Oliver Gourinchas and Chang-Tai Hsieh has indicated that a one-year debt moratorium could free upwards of USD 1 trillion, or 3.3% of low- and middle-income countries' combined income might be necessary⁴.

¹ "[The coronavirus will reveal hidden vulnerabilities in complex global supply chains](#)": The Brookings Institute, March 2020

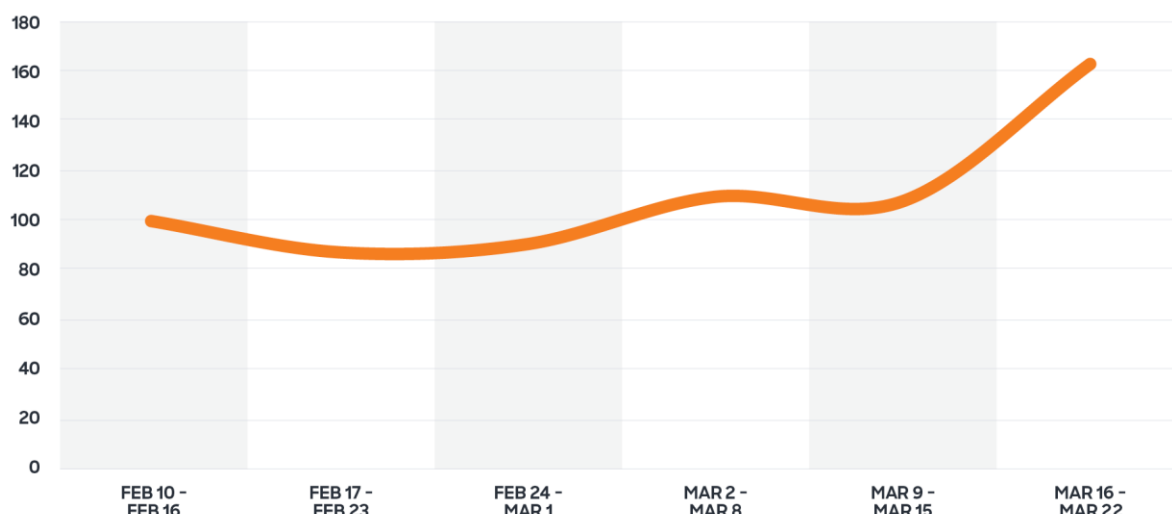
² "[US hijacking mask shipments in rush for coronavirus protection](#)": The Guardian, April 2020.

³ "[COVID-19 and its impact on Digital Media Consumption in India](#)": Comscore, March 2020

⁴ "[The COVID-19 Default Time Bomb](#)": Project Syndicate, April 2020

General News Sites: Visit Index

WEEK OF FEB 10-16 = 100



comscore

Source: Comscore Media Matrix, Custom Reporting, India, Feb 2020 - Mar 2020

1.3. Global Economic Projections

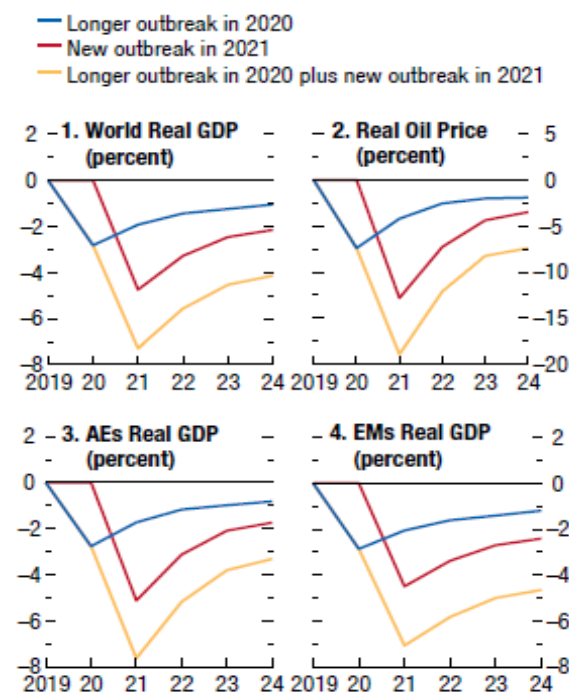
By now, most economists are predicting that the spread of the virus is inevitably going to cause the next recession.

Just three months ago, the IMF was predicting that the global economy would grow by 3.3% this year. However, in its recently released World Economic Outlook⁵, the multilateral organization has now projected that the global economy will contract by up to 3 percent.

The organization has also created three likely outcomes based on the effectiveness of the policy response in curbing the spread of COVID-19.

- The first alternative (in blue) estimates the impact of the fight against the spread of the virus in 2020, taking roughly 50 percent longer than the assumed baseline.
- The second alternative (in red) considers the impact of a second, but milder, resurgence of the disease occurring in 2021.
- The third alternative (in orange) is a worst-case scenario that estimates the potential impact if the present outbreak takes longer to curb in 2020 and is followed up by another outbreak in 2021.

Scenario Figure 1. Alternative Evolutions in the Fight against COVID-19
(Deviation from baseline)



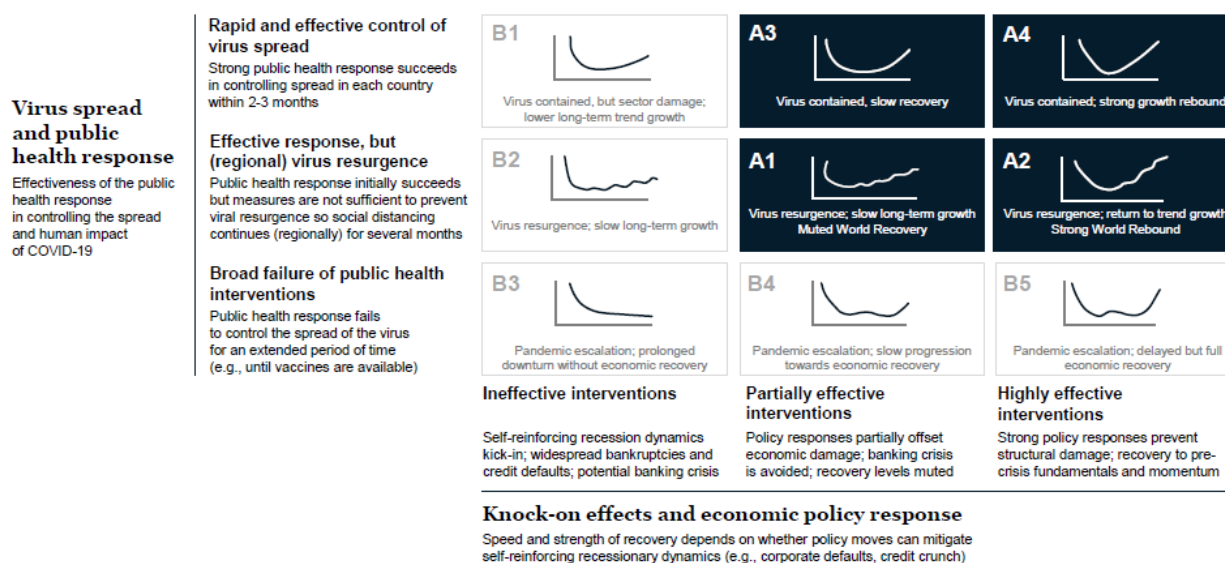
Source: International Monetary Fund

⁵ "World Economic Outlook: The Great Lockdown": International Monetary Fund, April 2020

The dips in growth rates across advanced economics and emerging markets take into consideration not only the supply-shock and demand slowdown, but also the corresponding fiscal stimuli provided by governments to tackle the situation.

While all the IMF recovery curves project a V-shape recovery, they also put the global economy in the red for the next 2-3 years. In contrast, in its COVID-19: Briefing Note, McKinsey & Company⁶ has predicted that the recovery curve will be dependent on two major factors:

- **Spread of the Virus and Public-Health Response:** In the case that there is a robust curb of the spread of the virus, the shock will be short-term and the recovery will be quick as it would be a small disruption but not a break-down of supply chains and demand. However, if the public-health response is ineffective, long lockdowns will hit both supply and demand, and recovery will rely on economic stimuli alone.
- **Effectiveness of Economic Policy:** While economic stimulus will not be able to impact the longevity during this period, governments would need to ensure continuity of the financial sector and increase public and private debt to ensure that the uptick once a vaccine is found is robust. An ineffective economic policy will only see a bottoming by the virus, while an effective solution will result in a steeper upward curve after action is taken.



Source: McKinsey & Co.

1.4. The Indian Economy

In India, the first detected case of COVID-19 was on January 30; one of the passengers airlifted from Wuhan by the government. While the first few inbound travelers were isolated because they were put under the strict quarantine, the transmission escalated in the month of March, after several cases were reported all over the country, most of which were linked to people with a travel history to affected countries. On 10 March, the total cases reached 50. On 12 March, a 76-year-old man who had returned from Saudi Arabia became the first victim of the virus in the country. The total cases as of April 22 had already exceeded 20,000.

Coming into this pandemic, India was already reeling with a slowing growth, a stressed financial sector and creeping inflation. Towards the end of last year, prior to advent of COVID-19, the former Prime Minister Manmohan Singh had already mentioned that India was heading towards a state of stagflation.

⁶ "Safeguarding our lives and our livelihoods: The imperative of our time": McKinsey & Company, March 2020

The pandemic has added layers of crises to this situation through the ongoing lockdown and migration of labour back to the villages. *In toto*, as per a report in Ideas for India⁷, the Indian economy has the following problems to deal with:

- **Informal Sector Challenges:** The informal sector depends crucially on people's daily demand. With a large chunk of the potential customers of the informal sector staying at home right now and withdrawing from non-essential expenditures, the survival of informal sector units will become questionable with every passing day that the health crisis and the associated lockdown drags on.
- **Corporate Sector Stress:** Firms in the formal sector will struggle to survive as they will have fixed outgoings, but incoming revenue is likely to be staggered. This will prove to be a challenge for firms with leverage on their balance sheets.
- **Broken Banking Sector:** Coming into the crisis, India was grappling with high NPAs and just before the lockdowns, one of the largest Indian banks – Yes Bank, had to be taken over by a government bank. The corporate sector stress, especially for leveraged firms, is likely to roll over onto the financial sector as companies will not be able to pay back loans, leading to higher volumes of NPAs.
- **Limited Fiscal Deficit Leeway:** Like the rest of the world, India will have limited opportunity to increase its fiscal deficit, which will be a necessity for recovery. As the crisis has started, the government has already announced a package of USD 22 billion towards tiding over the most vulnerable during the lockdown.

Going forward, the economy is expected to take a hit with sectors across the board bracing for a lean period.

- **Reduced Growth Projections:** Over the course of the last few weeks, the cracks in the Indian economy have begun to start showing. Economists, rating agencies and banks have already started recasting their global and Indian forecasts. While economists had earlier projected that the economy would grow at about 5% in this financial year, they are now predicting a contraction of the GDP from between 4.7% to 0.1% for the coming financial year due to the prolonged lockdown.⁸
- **Increasing Unemployment:** As per the unemployment tracker survey of Centre for Monitoring of Indian Economy (CMIE), the organization estimates that only 27.7 per cent of the working-age population (103 crore) was employed in the week after lockdown began. According to the employment calculation method of the organization, within two weeks, the number of gainfully employed has come down from 40.4 crore to 28.5 crore, a drop of 11.9 crore. Given that aggregate demand is expected to weaken, this number may increase in the short-term before stabilizing.⁹
- **Losses across Sectors:** As per a McKinsey report¹⁰, the contraction of the GDP won't be led by a single sector but be across the board. While hospitality, aviation and auto are likely to be the biggest losers, other sectors too, will not fare well.

⁷ [“Covid-19: Macroeconomic implications for India”](#): Ideas for India, March 2020

⁸ [“India's economy may see first contraction in 40 years on lockdown extension”](#): Business Standard, April 2020

⁹ [“India lost more jobs due to coronavirus lockdown than US did during Depression”](#): ThePrint, April 2020

¹⁰ [“Safeguarding our lives and our livelihoods: The imperative of our time”](#): McKinsey & Company, April 2020

Scenario 2 (lockdown continues until mid-May 2020): Potential impact on key sectors

	Output change Q1 FY 2021 vs Q4 FY 2020, ¹ %	GDP share, %	Bank credit FY 2019, % ⁴	Employment FY 2018, millions
Airlines and hotels	-70 to -75	2	1 ⁵	8 ⁷
Auto and advanced industries	-50 to -60	2	1	
Construction and real estate	-50	8	11	
Textiles	-50	2	3	
Freight and logistics	-40 to -45	8	2 ⁶	
Metals and mining	-35 to -40	7	7	
Oil and gas	-20 to -25		2	
Power	-20 to -25	2	9	
Consumer and retail	-20 to -25	11	11	
Chemicals	-15 to -20	2	1	
Agriculture	-15 ²	15	18	
IT services	-10 to -15	5	0	
Pharmaceuticals	-10 to -15	1	1	
Telecommunications	0 to -5	2	2	
Total		67 ³	69	402 ¹⁰

Source: McKinsey & Co



AUTO SECTOR

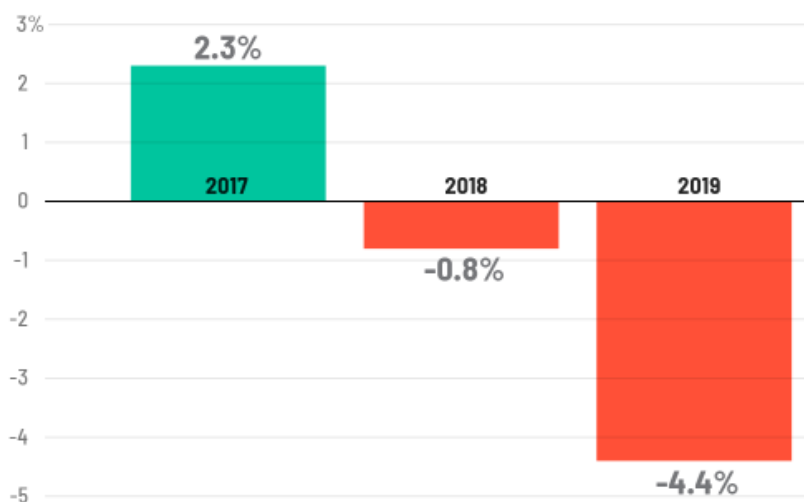
2. Auto Sector

2.1. Global Scenario

The automobile sector is a globally interconnected industry with a large economic footprint. The size of the sector's gross output (that is, the sum of its value added and intermediate consumption) is about 5.7% of global output, according to the World Input-Output Database. Vehicles and related parts are the world's fifth largest export product, accounting for about 8% of global goods exports in 2018. The sector is also a major consumer of commodities, other manufactured products, and services: the vehicle industry is the second largest consumer of steel and aluminum and demands significant amounts of copper, rubber, plastic, and electronics.

In 2018, the automobile industry shrank for the first time since the global financial crisis of 2008. As per the International Monetary Fund (IMF), this fall in output also contributed to a slowdown in the global economy. The slump in the sector was caused by a combination of both supply disruptions and demand slowdown: a drop in demand after the expiration of tax incentives in China; production lines adjusting to comply with new emission standards in the euro area (especially Germany) and China; and possible preference shifts as consumers adopt a wait-and-see attitude with technology and emission standards changing rapidly in many countries, as well as evolving car transportation and sharing options. Auto manufacturing shrank by 1.7% in 2018 by volume of vehicles produced, according to the IMF. Automobile exports from the 14 biggest car-producing countries fell by 3.1 percent in 2018 when measured in units.¹¹

Chart 1: Annual Percentage Change in Global Auto Sales



Source: LMC Automotive

The industry plunged deeper into recession in 2019, with sales dropping more than 4% as carmakers struggled to find buyers in China and India. This led to downsizing by major automakers. Some experts had even begun to speculate that the world may have reached "peak car," or the point at which global demand for vehicles begins an inevitable decline.

¹¹ [“World Economic Outlook, October 2019: Global Manufacturing Downturn, Rising Trade Barriers”](#): IMF, October 2019

2.2. Indian Scenario

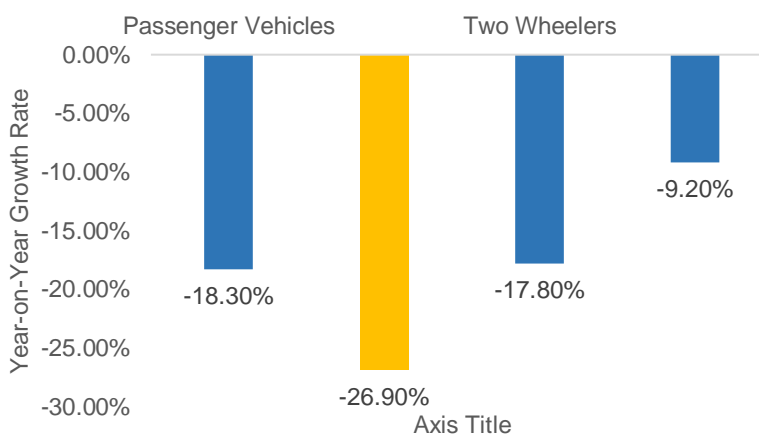
The Indian automobile industry is the fourth largest in the world with an annual turnover of USD 100 billion. The two-wheeler industry in India is the largest in the world. India is also the largest tractor manufacturer and the eighth largest commercial vehicles manufacturer in the world.¹² The automobile sector accounts for 7.1% of India's GDP, 4.3% of India's exports, generating 35 million jobs. The sector attracted USD 22.4 bn FDI during April 2000 - June 2019; accounting for 5.1% of the total FDI inflows.¹³ The auto components sector accounts for 2.3% of India's GDP, generating 3 million jobs.¹⁴

Before the outbreak, the Indian auto sector was already suffering from a prolonged slump owing to many reasons:

- *Global Slowdown*: There has been a global slowdown and India has been part of the same with the GDP growing at less than 5%, the lowest growth rate seen in a long time.
- *Drop in Private Investment*: A drop in private investment and a stressed financial sector has made it hard for firms to come by credit and weakened consumer demand.
- *Transition to EV*: The Indian government has also been pushing for a transition to electric vehicles over the next decade, which some experts believe, has contributed to falling vehicle sales.

The year 2019 was one of the worst years for the Indian automobile industry with falling sales and piling inventory. What worsened the situation in 2019 was the confusion over BS-VI norms, the transition to EVs and expectations about GST cuts. In order to balance the inventory, manufacturers had to resort to continuous production cuts. During 9M FY20, net sales of the automobile OEMs witnessed a y-o-y decline of about 14% on a y-o-y basis vis-à-vis a growth of about 16% witnessed during 9M FY19 while auto ancillary players (including tyres) witnessed a decline of about 11.7% vis-à-vis a growth of 14.7% during 9M FY19. In terms of volume sales, industry witnessed a decline of about 13% y-o-y in FY20 (April – February). Industry profits declined by about 27% during 9M FY20 vis-à-vis a double-digit growth during corresponding period previous year that can be attributed to weak sales booked along with various deals and offers and discounts given by OEMs during the festival season.¹⁵

Chart 2: Performance of Indian Automobile Industry in FY20



Source: *Impact of COVID-19 on Auto Industry*: SIAM, April 6, 2020

¹² "[Covid-19: Indian Automobile Sector Crunched Into Reverse Gear](#)": Entrepreneur, April 18, 2020

¹³ "[Automobile Sector Snapshot](#)": Invest India, March 6, 2020

¹⁴ "[Auto Components Sector Snapshot](#)": Invest India, April 20, 2020

¹⁵ "[Industry-wise impact of COVID-19](#)": CARE Ratings, March 30, 2020

2.3. Earlier and Revised Projections

2.3.1. Projections before COVID-19

- **Global:** Near-term prospects for the industry remain sluggish, and efforts to decarbonize posed a fundamental challenge in the medium term. As per Moody's Investors Service, outlook for the global automotive manufacturers and parts suppliers remained negative for 2020. It expected global auto sales to slump 0.9% in 2020. ¹⁶
- **Indian:** For 2020, the situation was expected to remain tough particularly due to tight credit conditions, the moderating economy, and the transition to BS-VI emissions standards – creating uncertainty, obstacles, and delays. According to a report released by the Fitch Solutions, vehicle production in India is likely to contract by 8.3% in 2020. Parallely, Moody's expected Indian auto sales to rise 0.5% in 2020 and 2% in 2021.

2.3.2. Revised Projections

- **Global:** Moody's Investors Service has slashed its global auto sales forecast due to the coronavirus outbreak reducing demand and disrupting automotive supply chains. It now expects global auto sales to slump 14% in 2020. ¹⁷
- **Indian:** In February 2020, Fitch Solutions forecasted vehicle production in India to shrink by 8.3% in 2020, as the auto industry faces increasing risk of supply shortage due to the coronavirus outbreak in China, possibly hitting domestic output if the virus spreads. Now this was before the outbreak of virus in India. Given the rampant rate at which it is growing in India, the sector is going to have even a deeper impact. With the already existing slowdown during FY20, the industry is likely to suffer huge losses going forward. According to ICRA, commercial vehicles (CV) sales volumes in India are likely to contract further between 8-10% in 2020-21 as the near-term outlook of the sector is weighed down significantly by the coronavirus pandemic. ¹⁸

As per estimates by SIAM, auto industry is losing INR 2,300 crore in production turnover for every day of closure. ¹⁹ Also, the employment of the industry is at risk as the contractual workers accounts for about 50% of the workforce in the industry. It is also to be noted here, that even if the pandemic is curtailed, the consumer sentiments are expected to be unfavorable and demand is expected to remain muted during H1 FY21 led by fluctuating and uncertain economic conditions. ²⁰

2.4. Present State of Auto Sector in India

The auto sector is facing the combined challenges of reduced production volumes caused by supply chain disruptions and falling consumer demand for new cars.

¹⁶ [“Automotive Manufacturing – Global”](#): Moody's Investors Service, February 2020

¹⁷ [“Automotive Manufacturing and Parts Suppliers – Global Outlook Update”](#): Moody's Investors Service, March 2020

¹⁸ [“Coronavirus: Commercial vehicle sales likely to contract 8- 10% further in FY21, says ICRA”](#): Deccan Herald, April 8, 2020

¹⁹ [“SIAM Press Release”](#): SIAM, April 13, 2020

²⁰ [“Industry-wise impact of COVID-19”](#): CARE Ratings, March 30, 2020

2.4.1. Automobiles

a. Supply Side Constraints

Coronavirus outbreak has led to supply chain disruptions and production halt in India. The pandemic had initially disrupted only the supply chain, especially for components imported from China - China accounts for 27% of India's automotive part imports. Owing to the closure of the auto part factories in China, there has reportedly been a delay in the production and delivery of BS-VI compliant vehicles. With the lockdown in India, manufacturing in the auto sector has also come to a standstill. Production shutdown across the country will impact the sector substantially. Besides Internal Combustion engine vehicles, the production of electric vehicles has also been impacted due to the lag in the procurement of components and batteries from China.

Auto dealers have been saddled with huge unsold BS-IV stock as the deadline for selling the vehicles ended, with the Supreme Court's order to sell 10% of the unsold stock within 10 days of the end of lockdown offering little solace. OEMs who produced BS-IV products well into February are under greater stress today and their dealers are at the receiving end. Some automakers like Honda have promised their dealers to take the unsold inventory back, however, it is unlikely that all the automakers will do that as selling BSIV stock in global markets would also be a challenge amidst lockdowns and a global downturn.²¹

b. Demand Side Constraints

With the outbreak of coronavirus in India, the prevalent low consumer sentiment has dampened even further. In March 2020, all OEMs witnessed a sharp drop in wholesales due to COVID-19 related lockdown and BSIV transition. Consumer footfall in showrooms had fallen sharply, vehicle sales were dropping before the announcement of a countrywide lockdown. In two wheelers, OEMs faced issues over existing BSIV inventory with the dealers, which was exacerbated by COVID-19 related lockdown and a limited relief from Supreme Court on sale of BSIV inventory.²²

For the commercial vehicle segment, the demand headwinds are expected to continue over the near-term given the macroeconomic challenges in view of the recent pandemic outbreak, coupled with weakening financial profile of fleet operators and significant price hikes because of transition to BS-VI emission norms.²³

In this situation, the transition to BS-VI is going to be hampered as the mounting economic effects of the outbreak will lead to deferring of planned purchases. The COVID-19 supply chain disruptions will manifest into a demand shock lasting multiple quarters for the domestic industry, according to a report by ICRA. Analysts believe demand is unlikely to revive even after the impact of the outbreak ceases, as the higher cost of acquisition on BS-VI rollout would dent demand. Two-wheelers and truck makers will be the worst hit, from the sharp rise in costs.²⁴

2.4.2. Auto Components

India has a sizeable USD 57 billion automotive component industry, but it still imports parts worth about USD 17.6 billion every year.²⁵ India's maximum dependence on imports especially for the two-wheeler and passenger vehicle industry component wise is in steering and braking systems, engine parts, alloy wheels and lighting systems. Also, most of the OEMs are dependent on Chinese supply chains for the BS-IV as well as BS-VI components such as fuel injection pumps. In the current scenario, with the overall slowdown in the Indian economy, shifting to other alternate countries (such as Germany, Japan, Korea) for supply may not be feasible in terms of both cost and time. Also, the gestation period and the

²¹ "[BS-IV inventory piles up](#)": The Telegraph, April 6, 2020

²² "[Coronavirus' impact on India's auto sector](#)": Economic Times, April 10, 2020

²³ "[Covid-19 impact: Commercial vehicle sales to contract another 8-10% in FY21](#)": Business Standard, April 9, 2020

²⁴ "[Auto sector braces for tough road ahead as lockdown hits business](#)": Business Standard, March 23, 2020

²⁵ "[Coronavirus impact: Supply chain disruption to cost auto industry Rs 6,080 crore](#)": Business Today, March 30, 2020

huge investment requirements for the auto component industry remain the restricting factors for such immediate shift.

India's exports of transport equipment to China account for a negligible share of about 0.5% of the total transport equipment exported from the country, however, US & Europe together account for about 80% share impacting the overall automotive component exports. In terms of imports of transport equipment, about 8.6% was imported from China during FY19, almost half of the equipment imported during the previous year. China is currently operating at below average capacities and given the conditions, is expected to fully recover only by Q2 FY21, provided the spread of COVID-19 is curtailed. Therefore, the Indian component industry is expected to witness supply chain disruptions in the domestic market during Q4 FY20 and Q1 FY21 to the tune of around USD 8,000 million (assuming 40% of FY19) while local sourcing is expected to increase going forward.²⁶

Current and Potential Impact on the Sector

Parameter	Low	Med	High	Comments
Supply Side				
Price variations of key raw materials		✓		Short-term fluctuations witnessed in prices of raw materials
Production shutdown			✓	Automotive sector was already facing weak demand; production shutdown across the country due to the pandemic will significantly impact the sector further
Cash flow constraints			✓	General liquidity shortfall in the sector due to Non-Banking Financial Companies (NBFCs) and banking sector situation leading to an impact on sales
Supply chain disruption			✓	Disruption in supply of raw material and other critical components have affected imports
Imports (if applicable)			✓	
Labour force			✓	Availability of contract labour for operations and support functions may be an issue even after the situation normalizes
Lockdown/restrictions impact			✓	
Demand Side				
Consumer sentiment			✓	Consumers have been postponing their vehicle purchase decisions owing to uncertainty surrounding the pandemic.
Exports (if applicable)			✓	Global slowdown and production shutdown in key markets affecting exports

Source: Potential impact of COVID-19 on the Indian economy: KPMG, April 2020²⁷

²⁶ "[Industry-wise impact of COVID-19](#)": CARE Ratings, March 30, 2020

²⁷ "[Potential impact of COVID-19 on the Indian economy](#)": KPMG, April 2020

2.5. Relief Measures Taken by Governments Across the Globe

Canada	Ontario government announced that it would be amending some regulations on insurance premium rebates, in turn allowing auto insurance companies to more easily provide financial relief to customers during the COVID-19 pandemic. This change will mean insurers can offer premium rebates for up to 12 months after the emergency has ended. ²⁸
China	<p>China's aid package for the auto industry adds up to around 8 billion yuan (USD 1.13 billion). China announced subsidies and tax breaks for new energy vehicles, such as electric or plug-in hybrid cars, for another two years.</p> <p>Local governments are also stepping in. At least a dozen cities or provinces have encouraged people to buy cars, mainly by offering cash subsidies of as much as USD 1,400 per vehicle.²⁹</p>
France	France is preparing fiscal stimulus focusing on investment and financial aid for industrial sectors including the automotive industry. ³⁰
Japan	Japan has earmarked USD 2.2 billion of its record economic stimulus package to help its manufacturers shift production out of China as the coronavirus disrupts supply chains between the major trading partners. ³¹
South Korea	South Korea announced to provide logistical and financial support to help the auto industry through the coronavirus crisis. The government said it would speed up customs clearance, arrange freight transportation and provide liquidity support for the industry which employs about 12% of South Korea's workforce, according to official figures. ³²
UK	Britain's Financial Conduct Authority (FCA) has proposed to car-leasing firms to provide a three-month payment freeze to customers who are having short-term difficulties as a result of the coronavirus. ³³
United States	The US Government has announced USD 2 trillion economic rescue package for U.S. businesses hit hardest by the coronavirus pandemic, including the auto industry. ³⁴

²⁸ ["Ontario government eases path for auto insurers to give premium rebates to customers"](#): Financial Post: April 16, 2020

²⁹ ["China is Giving Cash to Car Buyers to Revive Sales Crushed by the Coronavirus Pandemic"](#): Yahoo! News, April 16, 2020

³⁰ ["France Prepares Second Wave of Stimulus with Nod to Automakers"](#): Bloomberg, April 2, 2020

³¹ ["Japan to Fund Firms to Shift Production Out of China"](#): Bloomberg, April 8, 2020

³² ["South Korea to help auto industry ride out coronavirus"](#): March 23, 2020

³³ ["Britain Proposes Moratorium on Car Payments"](#): The Detroit Bureau, April 20, 2020

³⁴ ["U.S. set to grant automakers a lifeline -- but no bailout"](#): Reuters, March 26, 2020

2.6. Initiatives Taken by Auto Industry

With lockdowns being administered by most countries to prevent spread of the virus, auto OEMs and suppliers across globe have progressively suspended operations at a number of their production locations. From launching products online to extending benefits/service period to customers diverting their production lines, automakers are coping up with this crisis in different ways.

Online sales are one of the last chances for salvation for some dealers that have had to close showrooms due to the pandemic and state orders. Most of the automakers have already extended warranties and benefits to their customers, but now they are voluntarily joining the fight against the COVID-19 pandemic.

Automakers across the globe are now rushing to contribute to this fight by assisting and/or making the medical equipment that we are quickly running out of, i.e. ventilators, face masks, face shields, and other personal protective equipment. Chinese electric vehicle maker BYD has built the 'world's largest face mask plant', less than a month after starting production in response to the COVID-19 outbreak. General Motors, Ford and Tesla in the US have all pledged their support to offer resources to make more ventilators, along with Japanese carmaker Nissan and Formula 1 teams in the UK. In India, Mahindra & Mahindra, Maruti Suzuki, and others are already on it. Major automakers such as Ford, Toyota and others are continuing with plans to restart U.S. vehicle production from April. In addition to this, automakers are assisting nonprofit organizations and foundations in undertaking relief efforts.

2.7. Some Demands of Indian Auto Industry Amidst This Crisis

- Auto industry has been requesting a lower GST rate.
- Auto makers are seeking better financing terms and softer rates of interest for their partners and vendors, helping the intended benefits of the three-month grace period on loan repayments reach the broader ecosystem.
- SIAM, ACMA and FADA, are requesting the government to announce measures that will address the liquidity crunch, demand, and supply chain disruptions. SIAM has sought introduction of a scrappage policy, postponement of certain regulatory norms and availability of working capital at concessional rates.
- Federation of Automotive Dealers' Association (FADA) was seeking for an extension of 2 months to sell and register unsold stocks of BSIV vehicles. However, only 10 days extension post the lockdown, has been granted by the Supreme Court.
- Apollo Tyres expects the government to announce a bailout package for the auto sector.
- Industry body Federation of Indian Export Organisations (FIEO) has urged the government to immediately provide INR 30,000 crore worth of interest-free working capital term loan to exporting companies for easing their working capital liquidity issues and prevent large- scale unemployment that could follow post-lockdown, especially in the labour intensive sectors.

2.8. Recent Policy Announcements by Government of India and Their Impact




Announcement	Details	Impact
Extension for selling BS-IV Vehicles	The Supreme Court allowed the sale of BS IV compliant vehicles for 10 days, except in Delhi-NCR, after the ongoing countrywide lockdown over the coronavirus pandemic is lifted.	A 10-day extension would barely do any good. According to CARE Ratings, the buying sentiment after the lockdown period is likely to be "low" and consumers will be cautious in spending, particularly on luxury and big-ticket items.
Extension of Foreign Trade Policy for one year	The government extended the validity of existing Foreign Trade Policy as it has not been able to wrap up consultations for a new policy due to the on-going lockdown aimed at checking the spread of COVID-19.	Maintaining status quo will help exporters at a time when the global supply chain is disrupted by the coronavirus pandemic. It will also give more time for review and consultations.
RBI rate cut and 3-month Moratorium	Reserve Bank of India (RBI) decided to cut the repo rate by 75 basis points to 4.4% while also permitting all banks, NBFCs and FIs, including HFCs, to allow a 3-month moratorium on payments of term loan installments outstanding as on March 1, 2020, deferment on which will neither impact the credit history of the borrower nor the books of the lender.	These measures should help inject liquidity and elevate financial stress for industry stakeholders as well as the end-consumer.

Potential Impact of Upcoming Scrappage Policy

As the industry is reeling under the pressure of lower sales due to increase in vehicle cost (owing to BS-VI transition) and subdued consumer demand owing to the pandemic, the industry is looking at the impending scrappage policy which is due to be announced by the government soon. It will incentivize scrapping of older vehicles. This will benefit customers, the auto industry, the exchequer, and most importantly, the environment. Under the proposal, vehicle owners will receive incentives and tradeable scrappage certificates, which they can redeem in the purchase of new vehicles. The new vehicles sold will also be more fuel-efficient than the 10 to 15-year-old vehicles they replace, which in turn reduce oil imports. Scrappage also allows for the recycling and recovery of materials which will benefit OEMs and save on new import requirements.³⁵

³⁵ "[BS-VI: Not a smoke and mirrors show](#)": The Times of India, April 7, 2020

2.9. Scenario-Assessment³⁶

	 Optimistic Scenario	 Realistic Scenario	 Pessimistic Scenario
Customer Segment	<ul style="list-style-type: none"> Assess impact across core segments – mass vs premium, rural vs urban, private vs fleet Protect core segments & prioritize segments that are showing more resilience 	<ul style="list-style-type: none"> Sense any significant impact on core segments Identify new segments /opportunities that are relatively insulated 	<ul style="list-style-type: none"> Refocus business areas / segments under stress Protect & grow attractive business segments
Product/ Launch	<ul style="list-style-type: none"> Evaluate any product delay costs & revise target Assess launch readiness & identify opportunities to accelerate launches 	<ul style="list-style-type: none"> Review product launches basis segment trends Prepare for digital / soft launches Assess launch readiness & ability to scale up new models 	<ul style="list-style-type: none"> Shelve product launches that do not meet the revised business case Evaluate & invest in product solutions that meet the evolving customer needs
Channels	<ul style="list-style-type: none"> Enhance promotional activities across digital channels Enabling digital sales journey Evaluate network strength & expansion plans 	<ul style="list-style-type: none"> Optimize sales channels for revised demand projections Invest in convenient digital sales & marketing channels 	<ul style="list-style-type: none"> Restructure sales channels to create more flexibility and resilience Develop integrated digital channels to enhance visibility of demand & customer needs
Ecosystem	<ul style="list-style-type: none"> Evaluate financial health of suppliers & dealers and develop support initiatives Evaluate opportunities to enhance resilience of ecosystem 	<ul style="list-style-type: none"> Support suppliers & dealers with financial initiatives to ensure sustenance Review & enhance ecosystem continuity plans 	<ul style="list-style-type: none"> Explore opportunities for strategic investment in distressed partners Identify alternative sources / channel partners in line with revised strategy

2.10. Policy Recommendations

- GST rate cut on vehicles and components
- Further extension to sell BS-IV vehicles
- Relief package for the auto sector (e.g. Provision of working capital at concessional rates, moratorium on rental payments for commercial property for few months and reduction in minimum electricity tariffs.)
- Measures to address supply chain disruptions
- Incentives to strengthen localization
- Fiscal stimulus by adopting "Cash for Clunkers" scheme for the sector to that can provide the required incentives to consumers to exchange their old vehicles for new, more fuel-efficient vehicles. This can help in increasing the demand for automobiles in the country.³⁷

³⁶ "Automotive Industry: Impact of COVID-19 and navigating the turbulence": PWC, April 8, 2020

³⁷ "Impact of COVID-19 on Indian Economy": FICCI, March 20, 2020

Recommendations	Short term	Medium to long term
Tax and compliances related	<ul style="list-style-type: none"> • Tax booster in the form of short term GST rate cuts to increase the demand, e.g. rate cut for ICE- powered vehicles <i>*ICE - Internal combustion engine</i> • Deferment of GST payments to boost liquidity • Building trust by suspending tax audits • Efficiency in processing exporter's claims such as duty drawback, GST refunds etc. • Consumer attractiveness by allowing income tax deduction on auto loan 	<ul style="list-style-type: none"> • Allow OEMs and other automotive firms to operate on previously granted approvals and licenses, given the expiry date is approaching near, for a period of 6 months. • GST rate cut for ICE- powered vehicles <i>*ICE - Internal combustion engine</i>
Easing financial stress in the sector	<ul style="list-style-type: none"> • Operational benefits in the form of wage subsidy to small industries or income support for contract workers for period of three months • Reduction in interest rates on delayed payment of tax for three months 	<ul style="list-style-type: none"> • Develop a repayment support scheme for automobile and related firms, especially the MSME dealers and auto component manufacturers and sellers.
Support for end customer	<ul style="list-style-type: none"> • Rate cut by RBI resulting in reduction in interest rates for retail customers 	<ul style="list-style-type: none"> • Fast-track the implementation of the vehicle-scrapping scheme for passenger and commercial vehicles to incentivize purchase of new vehicles
Others		<ul style="list-style-type: none"> • Extend the BS-VI deadline at least by a quarter

Source: Potential impact of COVID-19 on the Indian economy: KPMG, April 2020



AVIATION SECTOR

3. Aviation Sector

3.1. Overview³⁸

There are few industries that are more severely impacted and affected by the COVID-19 pandemic than the aviation sector. The situation in the aviation industry is such that until and unless there is a comprehensive and effective strategy in place to deal with the pandemic, the immediate future of the industry is bleak. With alarmingly low global revenue passenger kilometers (RPKs) and stay-at-home orders in place across the world, the negative impact on the global aviation industry could very well continue till the year 2021.

The recent travel bans imposed by many countries to restrict the transmission of the virus had resulted in a sharp reduction in the number of flights that were operating internationally. This decline in the number of international flights indicates that a sudden and quick recovery in aviation is not possible in the current scenario. Everyday travel can only resume when the virus is contained worldwide, and governments across the globe think it will be safe to reopen the borders.

3.1.1. Global Impact³⁹

In the year 2019, the revenue that was generated by the global airline industry was a staggering USD 838 billion. The International Air Transport Association (IATA) had predicted an increase of 4.7 % in capacity growth for the industry in the year of 2020. COVID-19 has had a global impact on the aviation industry with particularly serious implications for China, the United States and Europe. The capacity overview for all three in 2019 were 14.2%, 20.6% and 23.8% respectively.

The global impact can be better understood taking the case studies of China, the United States and Europe to depict the severe losses that the airline industry has suffered from the rise of this global pandemic. The repercussions of COVID-19 can be highlighted in the following manner:

December 2019

- China reports pneumonia of unknown cause to the WHO country office on the 31st of December.

January 2020

- By the 28th of January, COVID-19 had begun to spread which resulted in 10,000 flights being suspended in China.
- Initial cases were found in The United States, Italy, and France by the 31st of January.

February 2020

- By the 21st of February, the situation in China was grave. More than 200,000 flights were either cancelled or removed from schedules.
- Italy became one of the worst affected countries due to the spread of COVID-19. By the 28th, 21,000 flights to and from Italy were directly impacted. Airlines start cancelling few scheduled operations.

March 2020

- Airlines announced systemwide waivers by the 3rd of March.
- The World Health Organization officially declares a global pandemic on the 11th of March.

³⁸ "[How COVID-19 Is Transforming Global Aviation's Outlook](#)": Forbes, April 6, 2020

³⁹ "[COVID-19 Impact on Aviation](#)": CIRIUM COVID-19 Infographic Timeline

- On 14th of March, the flying ban imposed by the United States on Europe resulted in 24,500 transatlantic flights which were scheduled to operate, to be cancelled/rescheduled in the 30-day travel ban.
- More than 570,000 flights in China were cancelled since the 1st of January by the 16th of March.
- By the end of March, 61% of the global passenger jet fleets were in storage.

According to a report by IATA, passenger airlines are set to lose USD 252 billion for the year 2020; a significantly higher sum than their previous prediction of USD 113 billion. The value of USD 252 billion is 44% less revenue as compared to the previous year of 2019. IATA has also estimated that RPKs can be 38% less globally as compared to 2019.⁴⁰

Region of airline registration	RPKs 2020 (% y-o-y)	Passenger revenue (in USD billion) (2020 vs. 2019)
Asia Pacific	-37%	-88
North America	-27%	-50
Europe	-46%	-76
Middle East	-39%	-19
Africa	-32%	-4
Latin America	-41%	-15
Industry	-38%	-252

Source: COVID-19: Cash Burn Analysis: IATA, March 31, 2020 (Data as of March 31, 2020)

3.1.2. Steps Taken by The Government of India to Restrict COVID-19 Transmission

To understand the impact of the virus on Indian aviation, it is important to understand the measures taken by the Indian government in order to restrict the transmission of the virus from international travelers. The measures that were adopted were:

- Travel restrictions to and from COVID-19 infected countries.
- Cancelling existing visas and refusal to issue fresh visas to nationals of COVID-19 infected countries.
- Standard Operating Procedures to be followed by all airport authorities mandated by the government on arrival of tourists and citizens to India.
- Thermal scanning and screening at airports.
- Regulatory body enforcing measures taken by airlines and airports to maintain social hygiene and social distancing.
- Home quarantine mandated to all persons (tourist/Indian nationals) after international trips.
- Complete lockdown by suspension of all international and domestic air services.

⁴⁰ "COVID-19: Cash Burn Analysis": IATA, March 31, 2020

3.1.3. Impact on Indian Aviation Sector

The Indian aviation industry had a turbulent 2019 because of a number of reasons: the grounding of the Boeing 737 Max aircraft at the starting of the year, closure of Jet Airways, PW1100 engine issue plaguing A320NEOs, rising jet fuel price, economic downsizing, and the plan to privatize Air India. It is estimated that the airlines in India suffered a consolidated net loss of over USD 600 million for the year 2019-20.⁴¹ The two airlines that were expected to gain the most due to the closure of Jet Airways, SpiceJet and IndiGo, both reported losses of INR 462.6 crore and INR 1,062 crore respectively during the September quarter. This was because of new accounting norms, rise in total expenses and grounding of certain aircraft.⁴²

The year 2020 has also begun on an ominous note: India is currently in a state of lockdown. Both domestic as well as international air travel are not likely to resume before mid-May 2020. However, one thought process is that the travel restrictions might be extended indefinitely. Due to the complete lockdown and the earlier travel restrictions imposed, it is projected that till the 1st quarter financial year of 2021, Indian aviation could lose up to USD 3-USD 3.6 billion and an estimated of 575,000 jobs could be impacted.⁴³

Prior to the outbreak of COVID-19, the economic contribution made by India's air transport industry stood at USD 35 billion which supported 6.2 million jobs and was contributing 1.5% to GDP in India.⁴⁴

Sector	Estimated loss in 1 st quarter financial year 2021
Airlines	USD 1.75 billion (approx.)
Ground handlers	USD 80-USD 90 million
Airports and concessionaires	USD 1.50-USD 1.75 billion
TOTAL	USD 3-USD 3.5 billion

Source: *Projecting the potential financial impact of COVID-19 on Indian Aviation*: CAPA, March 25, 2020 (Data as of March 25, 2020)

3.2. Measures Taken by Airlines to Cope With COVID-19 Impact

The fall in demand has forced airlines worldwide to request government assistance, to announce severe cost-cutting measures and, in the case of certain airlines, ground fleets. Most airlines around the world are facing more cancellations than bookings. The situation in India is no different with most airlines in India largely resorting to pay cuts in addition to the grounding of fleets as a result of the lockdown.

Direct Pay Cuts:

- **SpiceJet:** Limited number of staff from engineering team to be asked to take leave without pay for pay for a month on rotational basis. In addition, huge pay cuts for flight crew including steps like leave without pay.
- **Air India:** Deduction of 10% in allowance for all staff except cabin crew for a period of 3 months effective March 2020 and withholding of flying allowance for pilots.
- **Go Air:** Leave without pay for employees from 25th of March 2020 till 3rd May 2020.

⁴¹ "[How India's aviation sector stalled in 2019](#)": Indian Express, December 30, 2019

⁴² "[How India's aviation sector stalled in 2019](#)": Indian Express, December 30, 2019

⁴³ "[Projecting the potential financial impact of COVID-19 on Indian Aviation](#)": CAPA, March 25, 2020

⁴⁴ "[India's Air Transport Sector- The Future is Bright but Not Without its Challenges](#)": IATA, January 2020

- **Vistara:** One third of its employees to go on leave without pay for a period up to three days between 15th April 2020 to 30th April 2020.

Other measures:

- **SpiceJet:** Terminates contract of 13 expat pilots employed under the UDAN scheme.
- **Air India:** Temporarily suspends contract of around 200 pilots who were reemployed after retirement.
- **Go Air:** Laid off expat pilots.

3.3. Relief Sought by Indian Airlines

Indian aviation had a difficult 2019, and the impact of COVID-19 is expected to deepen the crisis in 2020. To ease the burden on the airlines, three vital areas have been identified by the Indian airline industry that can mitigate the financial burden borne by them, if acted upon.

- **Direct financial assistance:** For both passengers and cargo carriers owing to the impact of the travel restrictions due to COVID-19 that has resulted in reduced revenues and liquidity.
- **Loans and guarantee:** Owing to present situation, commercial banks will be reluctant to extend credit to airlines, therefore, Government or Central Bank to provide loans/ loan guarantees directly to airline or commercial banks.
- **Tax relief and rebate:** Rebates on payroll taxes paid to date in 2020 and/or extension of payment terms for the rest of 2020, deferral of corporate/business income tax payments for 2020, reduction in applicable Value Added Tax/Goods and Services Tax rates, along with a temporary waiver of ticket taxes and other Government-imposed levies.

Additionally, other measures such as fuel credit to be offered to the airlines, temporary reduction of excise duty on ATF and temporary suspension of airport charges would help ease the burden of operational costs once flying resumes.

3.4. Relief Measures Provided to Aviation Industry by Governments Globally⁴⁵

Country	Measure
United States of America	<ul style="list-style-type: none"> • Under the Coronavirus Aid Relief & Security Act, passed by Congress on 25-Mar-2020, US passenger airlines can access up to USD 25 billion of grants for the continuation of payment of employee wages, salaries, and benefits for a period of six months. A further USD 4 billion is similarly allocated for cargo carriers, and USD 3 billion for ground handlers and catering companies. • In addition, US passenger carriers, MROs and ticket agents can access up to USD 25 billion in loans and loan guarantees, while cargo carriers are eligible for USD 4 billion. • A further USD 10 billion in grants have been made available to commercial airports to prevent, prepare for, and respond to coronavirus. • The total value of the support package for the aviation sector is USD 71 billion.

⁴⁵ “[COVID-19 & the State of the Indian Aviation Industry – Update 3](#)”: CAPA, April 6, 2020

European Union	<ul style="list-style-type: none"> Many airlines have been granted loan guarantees from their respective governments.
United Kingdom	<ul style="list-style-type: none"> The government has stated that no industry specific relief package will be provided. However, the government has announced that it would be open in entering into negotiations with individual companies seeking support. Aviation companies have the liberty to avail the COVID-19 Job Retention Scheme which ensures that the government will subsidize 80% of salaries for a maximum duration of three months. This will help companies to maintain staff on their respective payrolls.
Singapore	<ul style="list-style-type: none"> Singapore has announced relief measures upwards of USD 500 million. This includes a Jobs Support Scheme This program ensures that the government will subsidize 75% of salaries till a certain limit. This will help companies to maintain staff on their respective payrolls. The government will also provide rebates on rental costs and landing and parking charges.
Canada	<p>The government has not announced a package for the aviation industry as such. Though, the aviation industry can avail the Canada Emergency Wage Subsidy. This program ensures that the government will subsidize 75% of salaries till a certain limit, for a period of up to 12 weeks. This will help companies to maintain staff on their respective payrolls.</p>
New Zealand	<p>The relief package announced by the government of New Zealand is worth USD 350 million. The package will cover waivers on air navigation and passenger charges, funds for air navigation services providers and for maintaining air freight connectivity.</p>
Australia	<ul style="list-style-type: none"> The government has announced a USD 430 million relief package for the aviation industry. The relief will be in the form of refunds and waivers for fuel excise tax, domestic aviation security charges and domestic air navigation charges. An additional USD 180 million has been sanctioned in the form of grants to airlines for maintaining services to regional centers. Aviation businesses also have the option of applying for the JobKeeper wage subsidy.
Italy	<p>The Italian government has decided to buy and take absolute control of Alitalia. The government wanted to sell the national carrier but had to abandon the plans due to COVID-19. The government will take absolute control of Alitalia's aviation as well as the land operations through a public vehicle.</p>
France and Netherlands ⁴⁶	<ul style="list-style-type: none"> The French and Dutch governments have pledged a EUR 11 Billion (USD 11.9 billion) relief package in loans and guarantees to Air France-KLM.

⁴⁶ “[Air France-KLM to Get State Rescue of as Much as \\$12 Billion](#)”: Bloomberg, April 25, 2020

- French government has decided to provide Air France with EUR 4 billion in commercial funding and EUR 3 billion in direct government loans.
- The Dutch government will provide between EUR 2 billion and EUR 4 billion in the form of loans and guarantees to KLM.

3.5. Scenario Assessment⁴⁷

Till a vaccine for the virus is available, international and domestic travel both will not be a priority for majority of the population. It can be pinpointed to either the fear of flying or to the collapse of the economy. In order to get the aviation industry up and running again, both airlines and airports will have a major role in instilling the belief in customers that air travel is safe.

In all likelihood, the pandemic can give rise to one of the three most relevant scenarios:

Scenario	Likelihood	Time to Recover	Virus severity and spread	Government Action	Consumer sentiment and behavior
Slow recovery in 2020	Medium	6 to 9 months	Deaths and new cases decrease gradually	<ul style="list-style-type: none"> • Lockdown for several months. • Travel discouraged • Borders gradually reopen 	<ul style="list-style-type: none"> • Consumer confidence reemerges quickly • Business travel prioritized first then short leisure travel followed by long leisure travel. • Travel distributors pick up operations
Gradual recovery till 2021	High	12 to 18 months	Gradual and slow decrease in new cases and death	<ul style="list-style-type: none"> • Lockdown for several months • Travel discouraged • Borders slowly reopen 	<ul style="list-style-type: none"> • Consumer confidence reemerges gradually • Businesses adhere to strict policies • Recession • Travel distributors fail
Double dip recovery till 2021	Medium	12 to 18 months	Spread of virus decreases but increases again due to the discovery	Policies relaxed but are reinstated due to the emergence of the new strain	<ul style="list-style-type: none"> • Confidence returns but gets affected again • Confidence will get affected for a longer period

⁴⁷ “[The Post-COVID-19 Flight Plan for Airlines](#)”: BCG, March 31, 2020

			of a new strain		<ul style="list-style-type: none"> • Safety concerns becomes a huge issue
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Source: *The Post-COVID-19 Flight Plan for Airlines*: BCG, March 31, 2020

3.6. Steps Taken by Airlines to Help Fight COVID-19 in India⁴⁸

During a time when India's own domestic airlines are fighting for survival and their aircrafts have been grounded due to the lockdown, the entire airline industry has come together and has undertaken certain measures which have greatly benefited the country. The support provided by the airlines can be divided into two categories:

a. *Support Provided to the Government:*

- Air India has helped in bringing stranded Indians in COVID-19 infected countries back home. It has not only brought back Indian nationals but has successfully assisted in airlifting nationals from other SAARC countries as well.
- The government recently launched the Lifeline UDAN initiative. Under this initiative, medical equipment has been provided to the most remote locations to fight COVID-19. The aircrafts which initially operated under this program were Air India, Alliance Air, Indian Air Force, Pawan Hans and private carriers.
- On the 1st of April, Director General of Civil Aviation (DGCA) had given permission to private airlines to use passenger planes for this initiative. On 7th April, SpiceJet deployed the first ever cargo-on-seat flight which carried essential medical equipment and medical supplies.
- Spice express, the cargo wing of SpiceJet has been involved in the delivery of essential items.
- SpiceJet during the initial 21-day lockdown (till the 7th of April) had carried 1400 tonnes of cargo.
- Indigo had been authorized to operate 30 relief flights as of the 7th of April, throughout the country. The operations were undertaken at Indigo's own expense. Indigo has also been permitted by DGCA to operate cargo-on-seat flights.
- Go Air on March 28th offered to fly stranded migrants and their families throughout the country back to the airport closest to their native villages.

b. *For the Passengers:*

- Maintaining complete hygiene and social distancing norms at airline counters and in the aircrafts.
- Removed the cancellation charges during the period of COVID-19 and the lockdown.
- Waived off rescheduling charges.

3.7. Drones

One sector of aviation that has thrived during this pandemic is the drone industry. The industry has used this time as an opportunity to exhibit the potential drones possess in carrying out a-number-of different activities with ease. Activities undertaken using drones are less time consuming and help ensure that all the frontline personnel are protected and not overburdened.

⁴⁸ "[Even in trying times, India's private airlines take part in coronavirus relief](#)": Quartz India, April 8, 2020

China, the place where the deadly virus originated, had turned to drones to carry out essential functions in its mission to protect its own citizens from this pandemic. Even though drones have a lot of utility in this modern era, this section will focus on the key areas that drones were deployed-in for the fight against COVID-19 in China and India.

a. China⁴⁹

- **Disinfection:** Drones were deployed in public spaces to sanitize the areas and to prevent the spread of the virus through contaminated surfaces or via respiratory droplets. These drones were also used to disinfect the epidemic prevention vehicles that would travel through contaminated zones.
- **Transportation:** Drones were used by the Chinese authorities to deliver essential medical supplies from one place to another limiting people interaction.
- **Consumer delivery:** Drones were deployed to deliver food and other essentials to people in order to have them strictly observe the guidelines on limiting social contact by the Chinese authorities.

b. India⁵⁰

Many state governments have turned to drones to carry out several essential functions to try and restrict the transmission of the virus. The instances where the usage of drones have come in handy:

- **Gujarat:** Gujarat police has deployed 200 drones to maintain law and order in the state. Drones have been used to monitor the movement of the citizens to ensure that the orders of the government were being followed.
- **Delhi:** The Delhi police has turned to drones and has effectively deployed them at the Azadpur Mandi, Asia's largest wholesale market for fruits and vegetables. The drones helped the officials to ensure that social distancing was maintained. Drones were also deployed in the Ghazipur Mandi to carry out the same functions.
- **Tamil Nadu:** The district administration in Madurai has used drones to disinfect the surrounding areas of the hospital wing used to isolate and treat Coronavirus patients.
- **Jammu and Kashmir:** Announced restrictions on the movement of people during the initial days of the lockdown at Lal Chowk using drones
- **Telangana:** Municipal administration of Warangal has partnered with Binford Robotics to deploy drones for the purpose of surveillance and sanitization in the district.

Capitalizing on the utility that has been on display, the industry can use this opportunity to push the Government of India to allow the usage of drones in healthcare, sanitation, fumigation etc. The industry has a unique opportunity to advocate for favorable policies with respect to operation, regulation and registration. Should the industry be able to highlight its significance, one can expect industries and funders to invest in research and development of drone use cases across key functions.

3.8. Cargo Operations during COVID-19

3.8.1. Global⁵¹

According to the latest figures released by IATA, the global demand for cargo measured in cargo tonne kilometers (CTK's) was down by 1.4% as compared to the same period in 2019. It was also witnessed

⁴⁹ "[3 ways China is using drones to fight coronavirus](#)": World Economic Forum, March 16, 2020

⁵⁰ "[Here's How Drones Helping India In Fight Against Coronavirus](#)": NDTV, April 15, 2020

⁵¹ "[Air Cargo Demand Slumps in February as COVID-19 Takes Hold](#)": IATA, April 1, 2020

that the adjusted demand (due to an additional day in 2020 because of the leap year and the Lunar New Year that fell in February 2019) showed a downfall by 9.1% month on month in February 2020.

The steep drop in the figures as a result of the negative impact of COVID-19 on operations in February 2020 were due to:

- Manufacturing in China taking a hit due to Coronavirus. As China is one of the largest air cargo markets in the world, coronavirus forced manufacturing to come to a halt in China.
- Decline in global exports. Major trading countries reported failing orders.
- With the virus affecting the global supply chain, much of the cargo capacity was nonoperational.

3.8.2. India

Even though air cargo operations were severely dented during the initial 21-day lock down period, it was instrumental for carrying essential goods throughout the country. Air cargo was also crucial for India as a lot of essential goods like testing kits and other medical supplies were being delivered to India from other countries like China, as recent as the 4th of April. In fact, the Ministry of Civil Aviation and Air India have been in constant contact with China for establishing a cargo corridor between the two neighbors for transfer of important and crucial medical supplies.⁵²

India was also able to build goodwill around the world by coming to the aid of many countries like the United States of America, Russia, United Kingdom and France along with other African and European countries, by sending them medicines to fight the virus. India has also successfully sent medical aid to its neighbors such as China. All this aid was successfully delivered by utilizing the services of Air India and Indian Air Force to carry the goods in India's immediate neighborhood whilst commercial couriers were being used to bring aid to other countries.⁵³

Cargo operations under Lifeline UDAN have been successfully used by India to bring crucial medical goods to the North Eastern Region, hill states and the island territories. Most of the cargo planes have carried products like masks, testing kits, gloves, personal protective equipment (PPE) and other medical equipment required by the frontline workers across the country.⁵⁴

As of the 21st of April 2020, 330 flights have been used to travel 551 tonnes of medical cargo across the country.⁵⁵

S No.	Date	Air India	Alliance	IAF	Indigo	SpiceJet	Total
1	26.3.2020	2	-	-	-	2	04
2	27.3.2020	4	9	1	-	-	14
3	28.3.2020	4	8	-	6	-	18
4	29.3.2020	4	9	6	-	-	19
5	30.3.2020	4	-	3	-	-	07
6	31.3.2020	9	2	1	-	-	12

⁵² "[Lifeline Udan: No commercial traffic but Indian skies buzzing with cargo planes carrying Covid-19 essentials](#)": India Today, April 5, 2020

⁵³ "[Covid-19 outbreak brings India's 'medical diplomacy' to world's notice](#)": Livemint, April 17, 2020

⁵⁴ "[Lifeline Udan: No commercial traffic but Indian skies buzzing with cargo planes carrying Covid-19 essentials](#)": India Today, April 5, 2020

⁵⁵ "[Corona warriors of Lifeline Udan continue to work with endless energy to support India's fight against Covid-19](#)": PIB Delhi, April 22, 2020

S No.	Date	Air India	Alliance	IAF	Indigo	SpiceJet	Total
7	01.4.2020	3	3	4	-	-	10
8	02.4.2020	4	5	3	-	-	12
9	03.4.2020	8	-	2	-	-	10
10	04.4.2020	4	3	2	-	-	09
11	05.4.2020	-	-	16	-	-	16
12	06.4.2020	3	4	13	-	-	20
13	07.4.2020	4	2	3	-	-	09
14	08.4.2020	3	-	3	-	-	06
15	09.4.2020	4	8	1	-	-	13
16	10.4.2020	2	4	2	-	-	08
17	11.4.2020	5	4	18	-	-	27
18	12.4.2020	2	2	-	-	-	04
19	13.4.2020	3	3	3	-	-	09
20	14.4.2020	4	5	4	-	-	13
21	15.4.2020	2	5	-	-	-	07
22	16.4.2020	9	-	6	-	-	15
23	17.4.2020	4	8	-	-	-	12
24	18.4.2020	5	-	9	-	-	14
25	19.4.2020	4	-	9	-	-	13
26	20.4.2020	8	4	3	-	-	15
27	21.4.2020	4	-	10	-	-	14
Total		112	88	122	6	2	330

Source: PIB Delhi

A cargo air-bridge has been established with East Asia for transportation of pharmaceuticals, medical equipment, and COVID-19 relief material. The date-wise quantity of medical cargo brought in as follows⁵⁶:

S No.	Date	From	Quantity (Tons)	S No	Date	From	Quantity (Tons)
1	04.4.2020	Shanghai	21	1	04.4.2020	Shanghai	21
2	07.4.2020	Hong Kong	06	2	07.4.2020	Hong Kong	06
3	09.4.2020	Shanghai	22	3	09.4.2020	Shanghai	22
4	10.4.2020	Shanghai	18	4	10.4.2020	Shanghai	18
5	11.4.2020	Shanghai	18	5	11.4.2020	Shanghai	18
6	12.4.2020	Shanghai	24	6	12.4.2020	Shanghai	24
7	14.4.2020	Hong Kong	11	7	14.4.2020	Hong Kong	11
8	14.4.2020	Shanghai	22	8	14.4.2020	Shanghai	22
9	16.4.2020	Shanghai	22	9	16.4.2020	Shanghai	22
10	16.4.2020	Hong Kong	17	10	16.4.2020	Hong Kong	17
11	16.4.2020	Seoul	05	11	16.4.2020	Seoul	05
12	17.4.2020	Shanghai	21	12	17.4.2020	Shanghai	21
13	18.4.2020	Shanghai	17	13	18.4.2020	Shanghai	17
14	18.4.2020	Seoul	14	14	18.4.2020	Seoul	14
15	18.4.2020	Guangzhou	04	15	18.4.2020	Guangzhou	04
16	19.4.2020	Shanghai	19	16	19.4.2020	Shanghai	19
17	20.4.2020	Shanghai	26	17	20.4.2020	Shanghai	26
18	21.4.2020	Shanghai	19	18	21.4.2020	Shanghai	19
19	21.4.2020	Hong Kong	16	19	21.4.2020	Hong Kong	16
Total			322			Total	322

Source: PIB Delhi

⁵⁶ [“Corona warriors of Lifeline Udan continue to work with endless energy to support India's fight against Covid-19”](#): PIB Delhi, April 22, 2020

3.9. Aviation Operations in the Aftermath Of COVID-19⁵⁷

3.9.1. Future of Airlines

The DGCA has already started to plan for the future by initiating consultations with the industry stakeholders and global counterparts to map out the best practices that the industry can adopt once the lockdown is eased and normal operations for the industry resume.

Measures that are expected to be implemented by airlines:

- Rear boarding to limit contact with other passengers
- Six passengers at a time using the step ladder to the aircraft
- Limiting the number of passengers on the flight
- Marking floors of airport coaches for passengers to stand
- Boarding to be spaced out using aerobridge
- Serving food on airlines may be suspended for a brief period
- Passengers and aircraft staff to wear masks while on the aircraft
- Leaving the middle row empty on the aircraft
- Promoting on-line check-in to avoid physical contact at airport
- Restriction on cabin baggage
- Airlines to develop new operating procedures after lockdown

3.9.2. Future of Airports⁵⁸

Airports attract a large foot fall of passengers each day. They are at risk to become hotspots for any health hazard. Since social distancing will become the new normal in the foreseeable future, airports will have to adapt to incorporate certain changes. This can be done by adopting innovative measures to not only enhance passenger experience and make flying much easier but to also instill confidence amongst the customers that flying is as safe as ever while maintaining social distancing.

Innovative steps that airports can incorporate to ensure the safety of all fliers:

- Queues during check-ins can be reduced by developing mechanisms that would enable a passenger to board only when their seats numbers are boarding. This can be done by notifying passengers digitally. Delta airlines tried this feature through its app. This initiative was also tested by Gatwick Airport.
- Thermal imaging cameras and sensors could be installed in airports that pick up the body temperature of the fliers.
- Developing contactless and self-servicing technologies that will limit human interaction and would enable fast movement amongst passengers. These technologies could be most beneficial during security checks.
- Constant sanitization of airports especially the waiting areas and the washrooms.

⁵⁷ "[Airlines prepare for take-off in post-coronavirus world](#)": The Hindu, April 14, 2020

⁵⁸ "[How the COVID-19 pandemic could change the end-to-end passenger experience forever](#)": Future Travel Experience, April 2020

- Paperless boarding should be an enforced practice while travelling.
- Baggage collection should also be initiated based on seat numbers/ zones.
- Airlines should promote interaction through their respective apps. This can ensure social distancing is being practiced in airports.

The Central Industrial Security Force has suggested certain guidelines that may be adopted with respect to the operation of airports in India:

- Compulsory thermal checking of passengers
- Restricting passengers in any given area
- Separate security queue for senior citizens, divyang passengers and expectant ladies
- Reporting 2 hours early to the airport
- Recommendation for construction of sanitary tunnel

3.9.3. Impact of COVID-19 on the Sale of Air India

The Central government tried to sell Air India in March 2018. That bid, however, remained unsuccessful due to a host of reasons. Although, the main reason that fended off potential buyers in the first attempt to privatize the national carrier was the desire of the government to hold on to 24 per cent stake in the debt-ridden airlines. Another significant contributor to the unsuccessful bid was the structuring of the deal that did little to protect the potential buyers from the preexisting debt that came with the airlines.⁵⁹

The second round of bidding was followed by an economic slowdown and a corporate tax cut announced by the government. The central government was determined to sell off the airlines to meet the losses in revenue due to the corporate tax cut and, by raising funds to pump in money to revive the economy. This sale would also reduce the pressure on the exchequer.⁶⁰

Before the pandemic, it was possible for the government to focus on selling the national carrier. An inter-ministerial panel was formed. It was chaired by the Home Minister and was tasked to find an expeditious way to sell the airlines. The government had also amended the FDI norms to allow 100 per cent FDI by NRIs through the normal route. To make the deal even favorable, the government addressed the issue of debt by reducing the debt of the airlines by approximately INR 33,047 crores.⁶¹

Air India had an increase in revenue by 12.92 per cent in 8 months leading to November 2019. This was higher than the same period of the previous year as Air India had posted operational losses of INR 535.9 crores. The airline holds one of the best airline's per aircraft staff ratio. The statistics are much better off than many private players in the industry. Air India and Air India Express had 145 aircraft at the end of 2017/18 - translating into per aircraft staff ratio of 84. The corresponding figures for IndiGo and SpiceJet stood at 114 and 142, respectively.⁶²

However, since the spread of the pandemic, the bidding deadline for the national carrier has been extended till June 30th.

Under the current scenario, it appears as if the privatization process for Air India will be further delayed. The government will need to commit significant and immediate interim funding of USD 300-400 million for the national carrier. This is to ensure that the airline can operate at least in its current condition till the sale is complete. On the other hand, the government must also be ready with a backup plan to

⁵⁹ "[Govt may offer entire Air India stake in fresh attempt to woo buyers](#)": Business Today, October 9, 2019

⁶⁰ "[Govt may offer entire Air India stake in fresh attempt to woo buyers](#)": Business Today, October 9, 2019

⁶¹ "[Govt extends deadline to bid for Air India till 30 April](#)": Livemint, March 14, 2020

⁶² "[Air India is finally going to a new owner, here's why](#)": Business Today, January 10, 2020

regroup and continue to operate the airline for the medium-term in the event of the privatization process being unable to proceed.⁶³

The government will also need to ensure that the new buyers of the airline do not resort to cutting down losses especially in such turbulent times by adopting cost cutting measures like laying off employees and salary deductions. These measures will make it much more complicated and difficult for the government to sell the airline. Even if it does manage to sell the airline, functioning of the airline will get affected due to the morale of its employees being dented under the new employers.

3.9.4. UDAN: Regional Connectivity Scheme Post COVID-19⁶⁴

UDAN (Ude Desh ka Aam Nagrik) or The Regional Connectivity Scheme was launched by the Central Government in 2017. It was a means for improving and enhancing connectivity within the country and making flying affordable for the 'Aam Nagrik'. The scheme also sought to connect smaller towns with the large cities of the country.

As of February 2020, 668 routes have been announced by the Ministry of Civil Aviation out of which, only 232 routes are operational. Routes that were declared operational, do not have flights. This is due to the collapse of Jet Airways and two regional airlines. Spice Jet, one of India's leading and successful airlines, has cancelled some routes due to the unavailability of passengers. Airlines in the country are already financially burdened, UDAN has added to that. Many places that were supposed to be connected during the 1st phase have no airports or airstrips.

Airlines were given the following incentives to be a part of the scheme:

- Significant reduction in central and state taxes on aviation turbine fuel
- Waiver on parking and landing charges
- 58 per cent discount on route navigation and facilitation charges
- Exclusive rights on networks for three years
- Airlines to be compensated for capped airfare

The airfare was to be capped depending on the distance. The lowest fare was INR 1,420 and the maximum was INR 3,500. The airlines were expected to sell the subsidized seats first and then open bookings for the subsequent fliers. The seats that were capped were half the seats in the aircraft. The airlines were also mandated to fly at least thrice a week as a part of the air connectivity scheme.

The primary reasons due to which airlines were suffering losses while operating the UDAN scheme were:

- Lack of trained manpower
- Use of comparatively old aircrafts leading to unscheduled long grounding for want of spares
- Frequent cancellations of flights
- Not enough passengers on the flights

After the 2nd phase of lockdown, whenever the aviation industry gets permission to operate, the airlines would already be in a state of major losses incurred during the suspension of operations at that time. Airlines would not want to operate on such routes to further add losses to their expense sheets. After the lockdown, many customers would refrain from travelling by air for some time out of fear of the virus.

⁶³ "[Impact of COVID-19 on Indian Aviation](#)": CAPA, March 18, 2020

⁶⁴ "[Not quite flying: Why the Modi govt's UDAN scheme is struggling](#)" Business Standard, February 5, 2020

Regulatory authorities would enforce social distancing norms meaning airlines may not be allowed to take bookings for the entire aircraft.

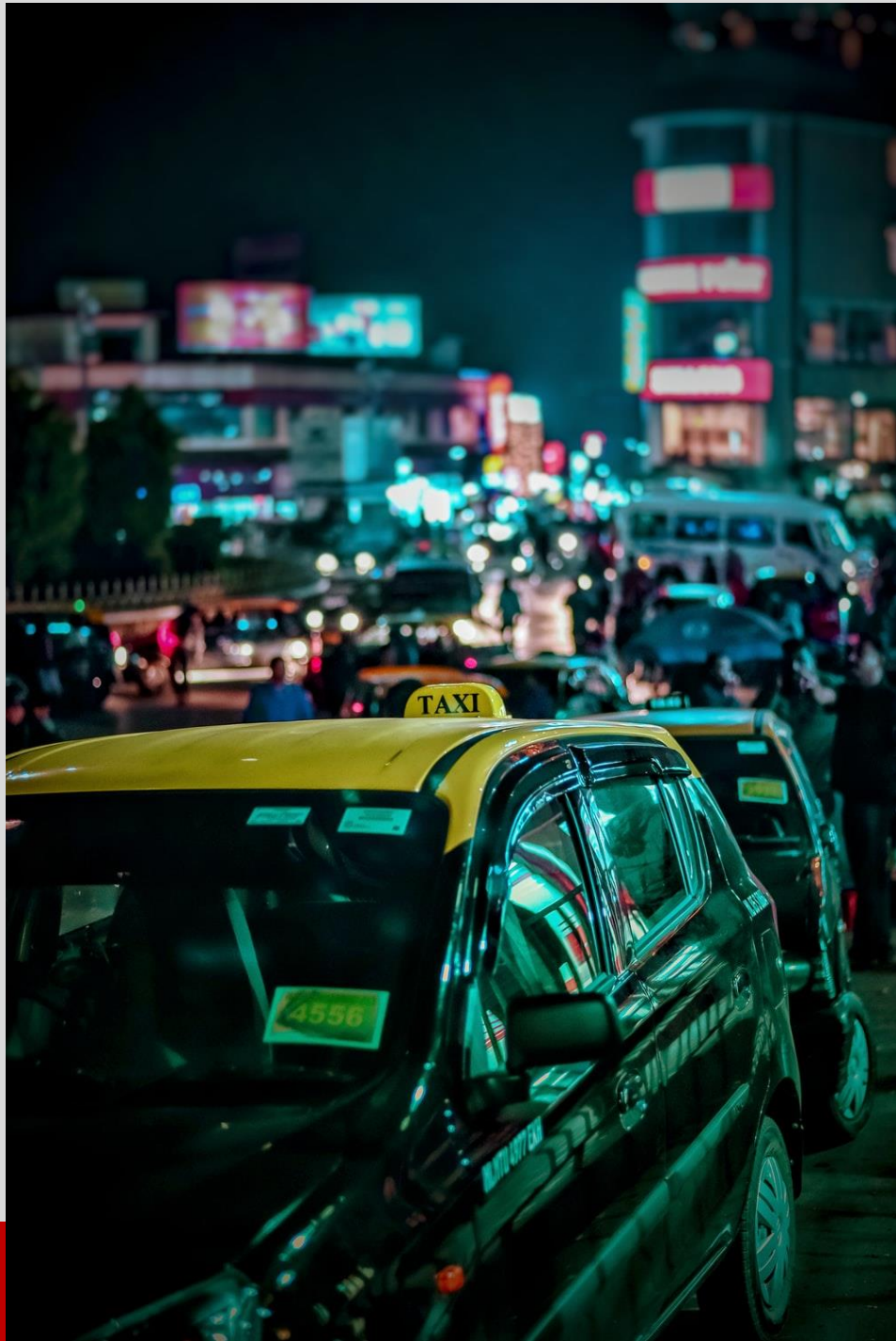
Due to the aviation industry and other industries taking a subsequent hit, the government would try to prioritize the sectors within these industries to help the economy get back on track. These industries will require financial assistance to cover up for their losses. At a time like this, it is hard to foresee the government pushing for such a project that would require investments in the form of infrastructure (developing airports and air strips) with the airlines themselves being hesitant to operate on such routes. Even if the government opts for the private sector to develop the airports on the UDAN routes, due to the unprofitability, there will not be many suitors. Additionally, the government would not want the airlines to be under added financial strains due to the operation of such flights. Due to these factors, budgetary allocation for UDAN in the 2021-22 budget may see a considerable reduction.

3.10. Recommendations⁶⁵

Airlines should adopt the following measures to best reposition themselves after travel restrictions are eased out:

- By assessing the size of their fleet and network, airlines should deploy right size of aircraft best suited for them to be recommissioned first. The routes that are best suited for higher demand and profits should be operationalized first.
- Mergers and acquisitions (M&A) options should be on the table. It is expected that major airlines will be looking forward to divestitures and the sale or purchase of minority equity stakes.
- Operating model should be resized and reshaped based on a zero-based approach. The new approach should be able to add value even after the crisis is over.
- Airlines should revamp themselves once travel restrictions are eased and airports are functional. Airlines should develop and implement a robust plan quickly and rationalize their fleet and trained manpower to avoid any retrenchment leading to significant gap and cascading impact across the entire aviation value chain.
- Airlines should set up a project management office to look after the cash until the environment becomes stable and regular financial processes and routines can be initiated once again.
- Airlines may take a cautious approach while considering adjustment in aircraft deliveries scheduled in 2020-21 due to poor demand as it may impact their liquidity on account of sale-and-leaseback margins.
- Promote safety and awareness on hygiene to instill confidence in passengers with respect to safe, healthy and infection free flying.

⁶⁵ "[The Post-COVID-19 Flight Plan for Airlines](#)": BCG, March 31, 2020



SHARED MOBILITY

4. Shared Mobility

With quarantine becoming the norm across the world, the shared mobility sector has been badly hit. Not only are most people staying home, but even those who are moving out are wary of using shared spaces, given global directives on *social distancing*. Many countries have closed their borders and imposed curfews – resulting in sharp reductions in transport demand also on regional and continental level. Additionally, shared spaces are being viewed as likely nodes for human-to-surface-to-human transmission due to the nature of the disease and the form of transportation.

Even though a final assessment has not been made, the economic impact of the virus outbreak in the public transport and shared mobility sector is most likely severe. As public transport is directly linked to economic development and dependent of fares and subsidies, loss of revenue is most likely inevitable. Besides the loss of revenue, higher costs for frequent cleaning of vehicles and facilities or increased train frequency over a longer period of time can put additional financial burdens on public transport companies.

4.1. Short-Term Impact

The short-term impact of COVID-19 on shared mobility has been tremendous. From being a burgeoning industry growing at a rapid pace across the world, the revenues of mobility over the past few months have reached near nil levels. Across the globe, some of the impact that has been felt include:

- The biggest impact COVID-19 has had on daily operations is obviously suspension of services, particularly among the e-kick scooters companies. Both Bird and Lime have announced they are putting a pause on service in multiple cities across the United States and Europe, while Voi and Tier are suspending operations in numerous European cities. Unfortunately, such suspensions often go hand-in-hand with retrenchments – Bird recently came under fire for laying off 30% of its total staff. It is likely, however, that other e-kick scooter companies will be following suit shortly.
- Aniasa (the Italian association for leasing companies) estimates that activities in car rental, car sharing and airport mobility in the country have dropped by about 90%.
- Car sharing companies which have also temporarily suspended their services includes emov in Spain and Enterprise CarShare for all their North American markets.
- Shuttle service Moia first announced that it would suspend the service in Hamburg and Hannover from April 1st onwards, but later revised the plan and will continue to operate in Hamburg during nighttime hours to offer their service to frontline workers.

In India, with the lockdown in place, shared mobility has come to a grinding halt. Prior to the lockdown, Uber and Ola had suspended their carpooling options, and thereafter, have completely stopped commercial operations for the public. In the last week, Uber has opened up its platform to allow for transportation to hospitals and for essential items.

4.2. Possible Long-Term Implications

The COVID-19 pandemic might significantly alter mobility related preferences of Indians, with auto industry executives expecting some consumers to move towards buying their own vehicles rather than availing ride-hailing services due to hygiene and health related concerns. In the long run, therefore, purchases of affordable hatchbacks and compact sport utility vehicles may see a boost. Some may also go for affordable motorcycles as well.

In a statement, the Managing Director of MG Motor India Pvt Ltd has said, “Individual car buying might go up (after the pandemic) as some customers may not be comfortable using shared cabs and public transport since people will be concerned about hygiene issues”.

According to a study conducted in China, by Ipsos⁶⁶, a global market and opinion research firm, 66% of respondents are now thinking of buying a car as opposed just 34% before the outbreak; just 15% of the respondents now plan to opt for cab services compared with 21% before. Also, 77% of respondents said their intention to purchasing a vehicle stem from the fact it can reduce chances of infection. The study also found that most purchases will be done by buyers who currently don't own a vehicle.

4.3. Pivots in the Models

In order to soften the blow and ensure their continuity, shared mobility platforms are making substantial product changes to attempt to create revenue streams for themselves to tide over the lean period.

- WeShare is mobilizing its fleets to make critical food and supply deliveries to charities in Berlin, while Lyft is offering medical transportation to people from low-income backgrounds in the US.
- In London, Uber is offering complimentary rides of up to £15, as well as £10 Uber Eats vouchers, to anyone with an NHS email address.
- Car Sharing Service Poppy Mobility is offering the free usage of their cars to medical workers in Antwerp and Brussels and Sixt Share is offering €100 vouchers for all medical staff and critical workers in Berlin, Hamburg and Munich.
- Bird has also recently announced that they are offering free electric scooter rides to healthcare workers and emergency personnel in four cities.

In India, shared mobility companies have focused their energies on supplying the limited demand of essential workers and essential commodities.

- Uber India has partnered with BigBasket, an online grocery store, to deliver everyday essentials to consumers amid the nationwide lockdown to contain COVID-19 pandemic.
- Indian ride hailing unicorn Ola announced a new feature – Ola Emergency – to allow passengers in Bangalore to book cabs to the hospital.
- Uber is working with the government and law enforcement agencies to offer transportation for essential services providers and to the common man, in case of an emergency.

4.4. Supporting Their Partners

Organizations with large coffers and ability, have also taken the time to assist their driver partners during this lean period:

- Lyft recently announced a partnership with Amazon in which it is referring its drivers via a dedicated web portal, which is said to have placed drivers in part-time and full-time employment in as little as seven days.
- Ride-hailing major Uber said it will provide grants totaling Rs 25 crore to its driver-partners in India to support them amid the ongoing coronavirus crisis in India.
- Ola has announced that it would provide financial aid for their driver-partners and their spouses in case they test positive for COVID-19.
- Ola has also allowed its customers to purchase rides in advance and is dispersing the money among its driver partners.

⁶⁶ ["Impact of Coronavirus to new car purchase in China"](#): Ipsos, March 2020

4.5. The New Normal: Larger Partner and Consumer Focus

As the lockdowns begin to end, in the near-to-medium term, governments and consumers alike may put pressure on platforms to create stricter, more hygienic compliance norms.

- **Health Checkups for Drivers:** Under the present terms for functioning during lockdown, factories in India will be held liable if any employee contracts COVID-19 at the workplace. While such stringent measures are not expected, governments may require mandatory testing of drivers on a timely basis to ensure that they don't make nodes of transmission among passengers.
- **Sanitization of Vehicles:** As part of its pivot to new models to keep revenue flows incoming, Uber had launched UberMedic and as part of this drive, it specially trained and provided with personal protective equipment including masks, gloves, hand sanitizers and disinfectants to sanitize Uber Medic cars after each ride.
- **Financial Support to Driver-partners:** World over, driver-partners are now reeling for increasing interest payments with near zero revenues coming in. This situation is only expected to worsen as things move along. While some companies have already started creating funds to support their drivers, the expectation is that the cost of taxi's will increase in the near future and platforms will have to ensure sufficient fiscal stimuli to their partners.
- **Create Distancing with Taxis:** In many cities across the world, platforms first began by suspending carpooling services among their products. As things stagger back to normal, one can expect limitations on the number of passengers per car. In West Bengal, the government has already started experimenting with skeletal taxis, where there is a clear division between the front and back of the car.

4.6. Recommendations

Once lockdowns end and the curbs imposed that have restricted both demand and supply of shared mobility end, a certain percentage of people will gradually start moving back to using shared mobility in the near future, though this figure may see a large aggregate dip. Once this begins to happen, shared mobility platforms, would need to ensure that they take the right precautions to make both their driver-partners and customers feel safe. While one cannot completely mitigate the risk of spread of COVID-19 through shared spaces, it can be dwindled by the following precautions:

a. Steps That Can Be Taken by Drivers

- **Information and Awareness:** Staff need to be well informed and awareness shall be raised on the risks of infection and the measures needed to be taken in order to minimize those risks.
- **Training:** Staff shall receive special training on how to disinfect facilities and surfaces properly. Furthermore, staff shall be trained on how to communicate with and react to passenger's concerns about measures taken to prevent the virus spread (e. g. disinfection measures).
- **Provision with Protection Gear and Disinfection:** Staff should be provided with adequate protection gear (face masks, gloves/hand sanitizers) in order to secure their health and avoid them from being infected.
- **Health Check-up:** Regular health check-ups can support and ensure that the employees feel safe and comfortable at work as well as identify any potential infections in an early stage.
- **Use of IR Thermometers:** Drivers can be equipped with IR Thermometers to take readings before allowing a passenger to board.
- **Sanitization of Vehicles:** While drivers cannot be expected to sanitize their cars after each trip, this could be made mandatory on a daily or bi-daily basis.

b. Steps for Passengers

- **Information:** Transparency is the most important aspect of dealing with extreme situations. In other words, in case that there was any passenger infected with COVID-19 using the transportation, drivers and passengers who have used the transportation thereafter should be informed about the possible risk that lies with them so they can quarantine immediately.
- **Use of Masks:** While many parts of India have made it compulsory to use masks in public, in the coming days, it should become the norm so that both drivers and passengers are protected.
- **Capping the Number of Passengers:** While ridesharing products generally allow up to 5 persons to travel together, strict measures must be taken to reduce these numbers to a maximum of 3 people in the car (including the driver).

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Contact Us



Manash Neog, *Executive Vice President and Co-Founder*

Mobile: +91 98113 07549

Email: manash@chase-india.com



Suryaprabha Sadasivan, *Vice President*

Mobile: +91 98339 09285

Email: surya@chase-india.com



Sharang Shah, *Manager – Public Policy*

Mobile: +91 99672 44222

Email: sharang@chase-india.com



Rupali Handa, *Associate – Public Policy*

Mobile: +91 84476 64055

Email: rupali@chase-india.com



Dhananjay Suri, *Junior Associate – Public Policy*

Mobile: +91 99457 52091

Email: ghananjay@chase-india.com

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