

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 840
(To be answered on the 6th February 2020)**

POOR FINANCIAL CONDITION OF AIR INDIA LIMITED

840. SHRI RAJENDRA DHEDYA GAVIT

Will the Minister of CIVIL AVIATION

तागर विमानत मंत्री

be pleased to state:-

- (a) whether the Government is aware of the poor financial condition of Air India Limited along with other civil aviation companies and if so, the corrective steps taken in this regard;
- (b) whether the financial condition of Air India Limited has been worsening for the last several years;
- (c) if so, whether the Government has conducted any probe in this regard;
- (d) whether the Government has identified any officer or agency responsible for it and if so, the legal action taken against them; and
- (e) whether the Government is going to privatise Air India Limited and if so, the details of criteria adopted for this purpose?

ANSWER

Minister of State (IC) in the Ministry of CIVIL AVIATION

तागर विमानत मंत्रालय में राज्य मंत्री (स्वतंत्र पक्ष)

(Shri Hardeep Singh Puri)

(a): Yes Sir. The high cost of Aviation Turbine Fuel(ATF), the global economic slow down, low yields due to intense competition are some reasons that have contributed to the widening gap between revenue and expenses in the airline industry. Government is conscious of financial difficulties faced by the airline companies. Accordingly, the Government has constantly been responding to the industry conditions and undertaking specific measures to facilitate and enable growth of the sector. The major steps taken by this Ministry to help civil aviation sector inter-alia include

- I. Provide airport infrastructure through Airports Authority of India and the private operators.**
- II. Provide an efficient Air Navigation System in the Country**
- III. Regulate the aviation industry through Directorate General of Civil Aviation to ensure safety standards.**
- IV. Coordinate with all stakeholders to resolve their issues through regular interactions.**
- V. Provide Viability Gap Funding and other concessions to selected airline operators under Regional Connectivity Scheme (RCS) - UDAN (Ude Desh ka Aam**

Nagrik) as per the scheme document.

VI. Provide financial assistance to Air India as per the approved Plan.

VII. Reduction of Central Excise Duty applicable on ATF from 14% to 11% w.e.f. 11th October, 2018.

VIII. Rationalization of Category-I routes under Route Dispersal Guidelines on the basis of criteria given in National Civil Aviation Policy - 2016.

IX. The requirement for 5/20 is modified and all airlines can commence international operations provided that they deploy 20 aircraft or 20% of total capacity (in terms of average number of seats on all departure put together) whichever is higher for domestic operations.

X. Liberalization of domestic code share points in India within the framework of Air Service Agreements.

XI. With a view to modernize existing airports so as to establish high standards and ease demand pressures on them, 100% Foreign Direct Investment (FDI) under automatic route has been allowed in brownfield airport projects. This would facilitate the development of domestic aviation infrastructure. FDI for Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline has been allowed upto 49% under automatic route. For Non-Resident Indians (NRIs), 100% FDI will continue to be allowed under automatic route. Foreign airlines are allowed to invest in capital of Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49% of their paid up capital. Such investment is subject to the condition, inter- alia, that Scheduled and Non-Scheduled Operator's Permit would be granted only to a company the substantial ownership and effective control of which is vested in Indian nationals.

(b) to (d): Air India has been incurring continuous losses and had accumulated huge losses. NITI Aayog in its recommendations, on Strategic Disinvestment of the Central Public Sector Enterprises in May, 2017 while referring to the fragile finances of Air India had stated that further financial support in a mature and competitive aviation market would not be the best use of scarce financial resources of the Government. The main reasons for the high operating losses of Air India include the following:

- (i) High interest burden,
- (ii) Increase in competition especially from low cost carriers,
- (iii) Adverse impact of exchange rate variation due to weakening of the Indian Rupee, and
- (iv) High operating costs.

(e): Yes Sir. The Government has initiated process of strategic disinvestment of Air India. The Preliminary Information Memorandum (PIM) for inviting Expression of Interest for sale of 100% equity share capital of Air India Limited (AIL) including AIL's 100% shareholding in the Air India Express Limited (AIXL) and 50% shareholding in Air India Airport Services Private Limited (AISATS) has been issued on 27.01.2020 and is available on the website of Ministry of Civil Aviation (<https://www.civilaviation.gov.in>).
