



How to lessen losses of Air India?

Description

Theme :-

- Air India has been making losses over the past decade.
- In 2018, Indian government tried to privatise Air India, but no one was interested in buying it.

Background :-

- Air India was founded by JRD Tata in 1946. It was renamed as Air India. It is primarily operating international routes. In 1952, it was nationalized by the government of India.
- Air India merged with the erstwhile Indian Airlines in 2007. Indian Airlines was operating mainly on domestic routes and was maintained by Ministry of Civil Aviation. The merger is the major reason for its current state.
- Up till 2007, AI and Indian Airlines were running profits. The merger led to their decline.
- The net losses amount to INR 55,000 crore as of 2019.

Solutions :-

- In 2012, Indian government signed a 10-year restructuring plan with the Air India. The restructuring plan has been proceeding in a positive direction. Air India posted faster than expected operating profits and lower net losses. The airline has been streamlining its processes.
- Operating profits have been steadily increasing over the years since the 2015-16 financial year. Net losses are thereby decreasing as a result.
- The government tried to divest up to 76% share of the airlines in 2018, but it failed. The main reason for the failure was that the bidders were not ready to take the huge debt along with the airlines.
- In order to address the issue of debt that is making the disinvestment unfruitful, the government of India, in Jan 2018, created a special purpose vehicle (SPV) that would take up the debt of Air India up to an amount of Rs 29,464 crore. Also, subsidiaries which are not

part of Air India strategic disinvestment viz. AIATSL (Air India Air Transport Services Limited), AIESL (Air India Engineering Services Limited), AASL (Airline Allied Services Limited) are to be shifted to the SPV.

- The SPV would also include non-core assets, painting and artifacts and other non-operational assets of Air India Limited.
- This would make the disinvestment process more attractive to buyers. Since the baggage of debt would be reduced significantly.
- All in all, it can be said that Air India and the government are already taking the necessary steps to turn around the plight of the airlines.
- Another way in which Air India could reduce its debt burden could be using its profit-making entities to provide third-party service. Currently, Air India has 3 entities which are profit-making. Also, Air India's MRO has been looking at the possibility of extending its facilities to other private entities in order to make more profit.

Your Turn!

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