

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:4182
ANSWERED ON:20.08.2001
LOSSES OF INDIAN AIRLINES
JASWANT SINGH YADAV;SURESH RAMRAO JADHAV (PATIL)

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether losses has been incurred by Indian Airlines during the first quarter of the current financial year;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken by the Government for the healthy growth of the Indian Airlines?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a): The budget Estimates of the Company projected a deficit of Rs.251 crores for the year 2001-02. The budgeted deficit reflects impact of a steep rise in the prices of Aviation Turbine Fuel(ATF) and various other input costs such as Landing and Navigational Charges, Handling Charges, Security Expenditure, increase in Aircraft insurance Premium, increase in foreign exchange rates etc. Further, the domestic price of ATF, a major input had gone up by about 50% during the year 2000-01. While the cost of operations had gone up substantially by an amount of over Rs.300 crores, no fare increase had been assumed in preparing the Budget Estimates for the year 2001-02.

Had the above cost escalation not taken place, the Company would have projected a net profit for 2001-02.

(b): The latest position is as under :-

(i) in the first two months of the current financial year i.e. April and May, 2001, the Company has made a net loss of Rs.32.60 crores as against the budgeted net loss of Rs.35.09 crores, a reduction in net loss by Rs.2.49 crores against the budgeted loss.

(ii) The Company has adopted the policy of flexible fares on its domestic network w.e.f. 25th May, 2001. The flexi-fare regime is expected to improve revenue earnings of the Company due to higher capacity utilisation and better yields. This coupled with various other measures taken by the Company is likely to have positive impact on the financial performance of the Company.

(iii) The Government has deregulated the domestic ATF price from 01.04.2001. In anticipation of deregulation of ATF price, a saving in ATF cost has been assumed in the budget. There was reduction in ATF price in April, 2001 and the savings were expected to be more than anticipated in the Budget. However, with the hardening of international price of ATF, the domestic price has also gone up from June, 2001 and thereafter. As a result, the additional savings in ATF cost due to deregulation over and above that assumed in the Budget may not materialise.

(c): The Company has taken various steps since August, 2000 to improve its financial and operating performance which have yielded the desired results in as much as there was substantial increase in the operating revenue as would be seen from the table below:

2000-01 Budgeted (Provl)	1999-00 Achieved (Rs. in cr)	Actual	
Operating Revenue	3681.00	3758.50	3549.17

Some of the measures taken to improve the performance are:

(i) Strict Budgetary Control; all the major items of expenditure are subject to cost benefit analysis, operational and commercial expediency, financial sanctions etc.

(ii) Better Fleet Utilisation; improvement in the productivity of Pilots, Aircraft Engineers, Minimising the ground turn round time, Night flights on certain domestic sectors, Increased international operations, Better scheduling of aircraft and route planning, Capacity deployment in alignment with market requirements etc.

(iii) Improvement in the quality of product; Improvement in On-time performance, general improvement and upgradation of services to the users etc.

(iv) Marketing initiatives; Code sharing with the foreign airlines, High level of participation in Computerised Reservation System. Various promotional schemes including corporate incentives etc.

(v) Flexible Fares; Fixation of fares on seasonality, competition, timing of flight and other demand and supply variables

(vi) Cost control measures; Control of overtime, casual labour, hotel/travel expenditure, crew lay over expenditure, Freeze on recruitment unless absolutely necessary for operational reasons, Fuel monitoring and tankering, control on aircraft maintenance, Reduction in publicity and sales promotional expenditure, Review of uneconomic flights, Inventory management, Outsourcing of services to the extent feasible etc.