

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:161
ANSWERED ON:09.12.1999
FINANCIAL HEALTH OF INDIAN AIRLINES AND AIR INDIA .
AJAY SINGH CHAUTALA;RAJIV PRATAP RUDY

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether Indian Airlines and Air India have recorded huge losses during 1997-98 and 1998-99;
- (b) if so, the details and the reasons therefor; and
- (c) the steps taken to restore the financial health of Indian Airlines and Air India?

Answer

THE MINISTER OF CIVIL AVIATION

(SHRI SHARAD YADAV)

(a), (b) & (c): A statement is laid on the table of the House.

Statement in reply to Lok Sabha Starred Question No. 161 for 09.12.1999 regarding losses incurred by Indian Airlines and Air India.

(a) & (b): During the years 1997-98 and 1998-99, Air India has incurred loss of Rs.181.01 crores and Rs.174.48 crores respectively, whereas Indian Airlines has earned profits.

Air India's losses are due to increase in expenditure on account of interest and depreciation on new aircraft, reduction in yield due to increased competition and cost of operations, increase in wage bill and other staff costs and landing, handling and navigational charges, depreciation of rupee value, etc.

(c) Air India has taken following steps to improve its financial performance:-

- (i) Marketing efforts have been stepped up to generate additional revenue;
- (ii) Network rationalization and consolidation with emphasis placed on route profitability;
- (iii) Reduction in expenditure on outside repairs of aircraft by undertaking more in-house repairs;
- (iv) Several posts of India based officers abroad have been abolished;
- (v) Freeze on external recruitment in non-operational categories;
- (vi) Two voluntary schemes have been notified viz. shorter working week scheme and leave without pay/allowances scheme for a period of two years extendable upto five years;
- (vii) Introduction of Automated Revenue yield Management Systems (ARMS) and curtailment of advertisement and publicity budget.

The Disinvestment Commission in its VIII Report on Air India has inter alia recommended infusion of Government equity of Rs.1000 crores and induction of a strategic partner on the basis of global bids. The recommendations of the Commission are under consideration of the Government.

For improvement of its financial position further, Indian Airlines has also taken various steps such as increased utilisation of aircraft, deployment of capacity on the criteria of economics and traffic demand, marketing initiatives, improvement in customer services and various cost cutting measures to reduce expenditure such as freeze on capital expenditure etc.