

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:165

ANSWERED ON:05.08.2010

OVERSEAS OFFICES OF AIR INDIA

Gaikwad Shri Eknath Mahadeo; Gandhi Shri Dilip Kumar Mansukhlal

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the National Aviation Company of India Limited (NACIL) is maintaining its offices in some of the cities world over where it did not have flight operation;
- (b) if so, the details of such offices alongwith the expenditure incurred in running each of such overseas office vis-a-vis the revenue generated from such offices for the last three years;
- (c) whether these offices were reported to have been set up on account of code sharing with other airlines and for revenue generation;
- (d) whether to economise the operational costs, the Airlines world over, out source code sharing agreements; and
- (e) if so, the justification for opening airlines offices abroad instead of outsourcing code sharing agreements?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF CIVIL AVIATION(SHRI PRAFUL PATEL)

(a),(b),(c), (d), (e) and (f): A Statement is laid on the table of the House.

STATEMENT IN REPLY TO PARTs (a), (b), (c), (d) and (e) OF LOK SABHA STARRED QUESTION NO. 165 FOR ANSWER ON 05.08.2010 TABLED BY S/SHRI EKNATH M. GAIKWAD AND DILIPKUMAR MANSUKHLAL GANDHI, MPs REGARDING OVERSEAS OFFICES OF AIR INDIA.

(a) and (b): Yes, Madam. Air India has offices in 13 cities where it does not have its own flights. These are Los Angeles, Amsterdam, Milan, Vienna, Copenhagen (closed effective June 21, 2010), Zurich, Brussels, Moscow, Cairo, Tehran, Nairobi (became offline in January 2010), Sydney and Chittagong.

The expenditure incurred vis-à-vis the revenue generated by NACIL in maintaining the above offices during the last three financial years is as under:-

(Rupees in Crores)

Financial year Revenue Expenditure

2008-2009 198.47 16.83

2007-2008 397.69 61.60

2006-2007 455.74 75.91

(c): These offices were opened for the purpose of generating business and revenue well before Code shares were even conceived. The primary purpose of setting up of these offices was to feed the Air India's on line stations and to extend the market potential to increase revenue.

(d) and (e): Airlines all over the world enter into such arrangements for the purpose of increasing their network, reach and revenue without actually deploying their own resources for operating to these markets.

It is important for airlines to maintain offices in cities to which they have Code share arrangements as the flights are operated under

the code of the marketing carriers also. The sales, ticketing and servicing of the passengers are carried out by the marketing carriers.

An airlines' decision to open its own offices in countries where it does not have its own operations is primarily driven by the extent of contribution the country is expected to add to the airline's revenue. These are purely commercial decisions which will be reviewed from time to time.