

**GOVERNMENT OF INDIA  
CIVIL AVIATION  
LOK SABHA**

STARRED QUESTION NO:7  
ANSWERED ON:19.11.2009  
RESTRUCTURING OF AIR INDIA  
Gandhi Shri Feroze Varun;Ponnam Shri Prabhakar

**Will the Minister of CIVIL AVIATION be pleased to state:**

- (a) whether any financial and organizational restructuring plan for Air India is under contemplation;
- (b) if so, the details thereof;
- (c) whether the Government has asked Air India to improve its performance and take cost cutting measures;
- (d) if so, whether Air India has prepared any cost cutting plan so far;
- (e) if so, the details thereof;
- (f) the extent to which the cost cutting plan has been implemented so far and the outcome thereof;and
- (g) the other measures taken to make Air India a profit making company?

**Answer**

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

(a) to (g): A statement is laid on the Table of the House.

STATEMENT IN REPLY TO PART (a) to (g) OF LOK SABHA STARRED QUESTION NO.7 FOR ANSWERE ON 19.11.2009  
TABLED BY S/SHRI PONNAM PRABHAKAR AND VARUN GANDHI

(a)& (b): Yes, Sir. The financial and organizational restructuring Plan for Air India focuses on operational efficiency, product improvement and organization building. The plan envisages manpower cost rationalization, fuel management, route profitability enhancement and non-traffic revenue enhancement.

(c) to (g): Yes, Sir. NACIL has taken the following initiatives to turnaround the performance of the company and is mainly focused on Cost Reduction (Target of Rs. 1500 crores) and Revenue Enhancement (Target of Rs. 1200 crores).The details of the plan are given below:

(A) Cost Reduction

# Rationalization of loss making routes both on the domestic and international sector.

# Rationalization of meal uplifts at domestic and foreign stations.

# Reduction of contractual employment and outsourcing of work.

# Rationalization of man power at Indian and Foreign Stations by closure of certain offices.

# Return of aircraft on lease.

# Study on fuel efficiency Gap Analysis under which IATA has been appointed to make an in depth study of the Fuel Efficiencies at various levels. The recommendations made by IATA are being considered at the highest level by a Strategic Group and are at various stages of implementation. These measures include reduction of the weight of the aircraft, following a cost index prescribed by IATA both on domestic and nternational routes, implementation of a computerized Flight Planning & Power Units, optimization of reserve fuel carried on board etc.

# Rationalization of wage agreements including PLI Scheme.

(B) Revenue Enhancement

# Increase in Passenger Revenue through improved marketing initiatives.

# Increase in Cargo Revenue through better utilization of belly space on line flights and cargo freighters.

# Initiative for on board revenue

# Increase in excess baggage revenue.

# Entrusting Engine MRO/Line Maintenance to a separate Strategic Business Unit resulting in better utilization of capacity and optimum utilization of manpower resources.

# Alternate use of properties

# Aviation Training Services.

The turnaround plan presented to the Committee of Secretaries on 29th August, 2009 has been broadly divided into 0-9 months, 9-18 months & 18-36 months. These are broadly segregated under Operational efficiency, Product Improvement, Organization Building & Financial Restructuring.