

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:163

ANSWERED ON:05.12.2012

AIR INDIA LOSSES

Mahtab Shri Bhartruhari;Sivasami Shri C.

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the losses of Air India have been constantly mounting after its merger with the Indian Airlines;
- (b) if so, the details of losses incurred since inception of such merger, year-wise and the reasons therefor;
- (c) whether only 16 out of Air India's 184 routes met their total costs during the period from April-June, 2012 and if so, the details thereof along with the details of the routes which even did not meet their fuel costs during the said period;
- (d) whether the Government has constituted any task force to examine route economics and to find ways and means to rationalise the routes so as to make the operations most cost effective and if so, the details and the outcome thereof;and
- (e) the other steps taken/being taken by the Government to reduce/eliminate the losses of Air India?

Answer

Minister of CIVIL AVIATION (SHRI AJIT SINGH)

(a), (b), (c), (d) and (e): 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.163 TO BE ANSWERED ON 05.12.2012 REGARDING AIR INDIA LOSSES TABLED BY SHRI BHARTRUHARI MAHTAB AND SHRI SIVASAMI C, MPs.

(a) and (b): Yes, Madam. Air India suffered a loss of Rs.2226.16 crore in 2007-08, Rs.5548.26 crore in 2008-09, Rs.5552.44 crore in 2009-10, Rs.6865.17 crore in 2010-11 and Rs.7853 crore (Provisional) in 2011-12. The main reasons for losses are:

- (i) Abnormal increase in the cost of Aviation Turbine Fuel (ATF), its unfavourable and opaque pricing and high incidence of VAT on it
 - (ii) Increase in depreciation provision due to aircraft acquisition
 - (iii) Increase in the quantum of interest on aircraft loans due to induction on new aircraft fleet
 - (iv) High infrastructural cost including those at the airports
 - (v) Increase in financing cost due to increase in interest rates and huge working capital borrowings
 - (vi) Decrease in ground handling revenue
 - (vii) Depreciation of Rupee against US Dollar
 - (viii) Entry of Low Cost Carriers on domestic and international routes resulting in pressure on yields and (ix) Global recession and fall in premium traffic.
- (c): Yes, Madam. As per provisional Route Economics for April-June, 2012, out of 184 services, only 16 services met the total costs, 99 services did not meet cash cost and 69 services met the cash cost but not the total costs.
- (d): A task force, headed by a Joint Secretary of the Ministry, has been constituted to examine route economics and to find ways and means to rationalize the routes so as to make the operations more cost effective.
- (e): In order to reduce costs and improve operational performance, Air India has taken various steps including
- (i) Complete route rationalization of erstwhile Air India and Indian Airlines routes and elimination of route network involving parallel operations
 - (ii) Rationalization of certain loss making routes
 - (iii) induction of brand new aircrafts on several domestic & international routes to increase passengers appeal

- (iv) Phasing out of old fleet and consequential reduction in maintenance cost
- (v) Return of leased aircrafts at the end of their tenure or prematurely
- (vi) Freezing of employment in non-operational areas
- (vii) Redeployment of staff to cut in-fructuous expenditure
- (viii) Phasing out of ageing fleet including B747-400 having high operational cost
- (ix) Relocation of Executive Directors/India Based officers from abroad back to India
- (x) Closure of overseas offline offices at certain locations
- (xi) Dismantling of the Frankfurt hub and establishment of a hub at Delhi resulting in substantial saving due to restructuring of routes
- (xii) Establishment of Integrated Operations Control Centres
- (xiii) Signing of the Financial Restructuring Plan with the lenders resulting in savings in interest costs and moratorium on repayment of Loans
- (xiv) Approval of a Turn Around Plan and a Financial Restructuring Plan for Air India by the Government which envisage infusion of additional equity by the Government, cost reduction and improved operational performance
- and (xv) Close monitoring of the company's performance by an Oversight Committee by the Government.