

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:3175

ANSWERED ON:12.12.2012

SPLITTING OF AI INTO TWO SUBSIDIARIES

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Dharmshi Shri Babar Gajanan;Yadav Shri Dharmendra

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the Government of India has decided to split engineering and ground handling services of Air India (AI) into two fully owned subsidiaries;
- (b) if so, the reasons therefor along with the details of the plan formulated, if any, in this regard;
- (c) whether these units are likely to look for business from outside and provide services to Air India at cheaper rates;
- (d) if so, the details thereof and the extent to which the said bifurcation is likely to help Air India to recover its losses;
- (e) whether the Government has taken Employees Union on board before taking a final decision;and
- (f) if not, the reasons therefor?;

Answer

Minister of State in the Ministry of CIVIL AVIATION (SHRI K. C. VENUGOPAL)

(a) and (b): Yes, Madam. As per the Air India's Turn Around Plan (TAP) approved by the Government, it is required to hive off its MRO and Ground Handling businesses to its subsidiary companies viz Air India Engineering Services Limited (AIESL) and Air India Air Transport Services Limited (AIATSL) respectively. The hiving off enable Air India to focus on its core function as an airline and develop MRO and Ground handling business separately.

(c) and (d): Yes, Madam. The AIATSL is expected to emerge as full fledged ground handling company, performing Terminal Handling, Ramp Handling and other Ground Handling functions for Air India (AI) and other customer airlines. The hiving off MRO business to AIESL may help Air India to monetize the value of its current assets and infrastructure to raise funds to support the parent company and lead to improve productivity, lower costs and make them self-sufficient and increase revenue from outside customers. The AIESL aims to attract clients from Asia - Pacific region at a competitive price, while serving Air India at a discounted rate. Similarly, AIATSL aims to attract airline clients at an aggressive and competitive rate. This will help in earning additional revenue and enabling Air India to focus in its core business of airline operations.

(e): Yes, Madam. meetings were held with the Unions/ Associations/Guilds on the TAP and FRP and the presentation was also made to them on the same.

(f): Does not arise.