

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:56
ANSWERED ON:27.02.2013
AUSTERITY MEASURES IN AIR INDIA
Mitra Shri Somendra Nath;Ray Shri Rudramadhab

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) the details of the revenue earned by Air India (AI) and the expenditure incurred by them during the current financial year along with the details of the austerity measures taken by the Government/Air India so far to improve the financial status of the company and reduce high operating costs;
- (b) whether the committee set up to suggest measures to lower the high cost of Air India's operations and improve utilisation of resources has since submitted its interim recommendations;
- (c) if so, the details thereof and if not, the time by which the interim and final reports are likely to be submitted;
- (d) whether Air India has cancelled/ proposes to cancel many of its national and international flights to mitigate its losses and if so, the details thereof and the benefits likely to be accrued as a result thereof; and
- (e) the other measures taken by the Government to make Air India a profitable organisation?

Answer

Minister of CIVIL AVIATION (SHRI AJIT SINGH)

(a) to (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. 56 TO BE ANSWERED ON 27.02.2013 REGARDING AIR INDIA AUSTERITY MEASURES

(a) & (e) : Upto the 3rd Quarter of current financial year (April-December, 2012), Air India earned an operating revenue of Rs.11400.45 crores and its operating expenses

during the period was Rs.13954.47 crores resulting in an operating loss of Rs.2554.02 crores. During this period Air India earned additional passenger revenue of Rs.680.13 crores and reduced its cash losses by Rs.1125.50 crores as compared to the corresponding period of the previous financial year. Significant to mention that during the 3rd Quarter (October-December, 2012), Air India turned EBIDTA (Earnings Before Interest, Depreciation, Tax and Amortization) positive to the tune of Rs.48.75 crores despite two months' strike (July & August, 2012) by its Wide Body aircraft pilots.

Several measures have been taken by Air India to cut its operating costs. The important ones are : conversion of Rs.10,500 crores of short-term loans into long-term loans, repayment of Rs.7400 crores of short-term loans through Non-convertible Debentures, obtaining much higher level of discount on ATF from oil companies resulting into an annual saving of over Rs.500 crores, rationalization/discontinuation of loss making routes, enhanced utilization of aircraft, curtailment of overtime, relocation of offices from abroad.

(b) & (c): No, Madam, Government constituted a Committee on 04.01.2013 for recommending various cost cutting measures and to ensure best and optimal utilization of various resources, including human resources of Air India. The Committee is required to submit its report to the Ministry of Civil Aviation within a period of two months.

(d): Air India periodically monitors the carriage/load factors/financial performance of services on its network with a view to improve their performance. While determining the desirability or otherwise of discontinuing operations of loss making services, Air India takes into account the revenue contributions made by the subject services to its other services by way of feeder traffic. As such non-profitability of a flight is not taken in isolation as the sole barometer of its financial performance. AI has withdrawn flights from Delhi-Toronto sector. The domestic routes from which Air India has withdrawn its loss making flights are : Mumbai-Bangalore (one flight only), Kolkata-Bhubaneswar & vv Chennai-Vizag-Bhubaneswar-Chennai, Chennai-Trivandrum, Trivandrum-Bangalore and Kolkata-Imphal & vv.