

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:2577
ANSWERED ON:06.02.2014
RESTRUCTURING PLAN FOR AIR INDIA
Choudhry Smt. Shruti

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether Air India has incurred any loss during the last three years and if so, the details thereof;
- (b) whether the Government has formulated any restructuring plan for Air India and if so, the details thereof;
- (c) whether any steps are being taken/proposed to be taken to improve the management, operations, occupancy ratio, loss reduction and profit position of Air India; and
- (d) if so, the details thereof?

Answer

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

a) and (b): Yes, Madam. Air India incurred a loss of Rs.6,865.17 crores in 2010-11, Rs.7559.74 crores in 2011-12 and Rs.5490.16 crores in 2012-13.

(b): In view of the huge losses suffered by Air India for the years 2007-08 to 2010-11, and its mounting debt burden, the Government decided to formulate a Turn Around Plan and a Financial Restructuring Plan to improve the operational and financial performance of Air India. The TAP-FRP was approved by the CCEA on 12th April, 2012. Consequent upon the acceptance of Turn Around Plan (TAP) and the Financial Restructuring Plan of the Company (FRP), Govt. of India approved the infusion of the equity of Rs.30231 crores upto 2021 including -

- Upfront Equity Infusion of Rs.6750 crores.
- Equity Infusion towards Cash Deficit of Rs.4552 crores.
- Equity Infusion towards Guaranteed Aircraft Loans of Rs.18929 crores.

In addition to the above the Govt has guaranteed the re-payment of Principal amount and the payment of Interest on the Non Convertible Debentures (NCDs) of Rs.7400 crores issued by the Company to Life Insurance Corporation (LIC) and Employees Provident Fund Organization (EPFO). The equity support received by Air India till 31st January, 2014 is Rs.12200 crores. The equity would be brought in by the Government against achievement of specific milestones in terms of load factors, yield and on time performance. The performance of Air India is expected to improve considerably with the operational Turnaround.

(c) and (d): In order to improve its operational and financial performance, Air India has taken various steps which include (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 aircraft on several domestic & international routes to increase passengers appeal; (iv) Phasing out of old fleet and consequential reduction of maintenance and engineering costs; (v) Return of leased aircraft at the end of their tenure or prematurely; (vi) Freezing of employment in non-operational areas; (vii) Redeployment of staff to cut infructuous expenditure; (viii) Grounding of ageing fleet including B747-400 which would be used only for certain lines of operations and for operating VVIP flights.