

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 3881
(To be answered on the 9th August 2018)**

BIDDING PROCESS FOR SALE OF STAKE IN AIR INDIA

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Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether no private companies/ airlines have shown Expression of Interest (EoI) in bidding for Air India despite extension of deadline for submission of bid, if so, the details thereof and the reaction of the Government thereto and further action proposed in this regard;**
- (b) the present status of the turnaround plan which was made on a piecemeal basis and which adversely affected its financial and operational performance and forcing the airline to take loans at a higher interest rate to meet the shortfall;**
- (c) whether the Government proposes to review its decision to privatise or disinvest Air India and explore the possibility of an alternative to disinvestment of the national carrier, if so, the details thereof and if not, the reasons therefor;**
- (d) the number of suggestions/requests received by the Government for not selling its stake in Air India from various Experts/ Unions in the recent past along with the present status of such suggestions/requests and the steps taken/being taken by the Government to protect the rights of the employees of Air India before announcing its stake sale in it;**
- (e) whether the Air India has been asked to consider its fleet requirements and see the number of planes it needed to take on lease to ensure its market share does not get eroded further and if so, the details thereof; and**
- (f) the steps taken by the Government to improve the services of Air India?**

ANSWER

(a) and (c): The Preliminary Information Memorandum (PIM) for inviting Expression of Interest (EOI) for the Strategic Disinvestment of Air India including its shareholding in Air India Express and AI SATS was issued on 28th March, 2018. No EoI/ bid was received till the last date of receipt of bids. The Government remains committed to the disinvestment of Air India. In this regard, the Air India Specific Alternative Mechanism (AISAM) has decided as follows:

(i) In view of volatile crude prices and adverse fluctuations in exchange rates, the present environment is not conducive to stimulate interest amongst investors for strategic disinvestment of Air India in immediate near future. The issue would be revisited once global economic indicators including oil prices and forex conditions stabilize,

(ii) to undertake near and medium term efforts to capture operational efficiencies and to improve the performance of Air India,

(iii) to monetise non-core land and building assets,

(iv) to separately decide the contours of the mode of disposal of the subsidiaries viz. Air India Engineering Services Limited (AIESL), Air India Air Transport Services Limited (AIATSL) and Airline Allied Services Limited (AASL).

(b): In order to help Air India in mitigating its continuing losses and to take it back on the path of profitability, the Government has already approved and implemented a Turn Around Plan (TAP) and Financial Restructuring Plan (FRP) of Air India in 2012 in terms of which, all Government Guaranteed loans and interests thereon are being paid by the Government by way of equity infusion into Air India. Similarly, a Financial Restructuring Plan (FRP) has also been implemented by means of which, high cost working capital loans have been converted into long term debt carrying lesser rates of interest so as to reduce the financial burden on Air India.

The TAP/FRP includes budgetary support amounting to Rs. 30,231 crore spread over 10 years i.e. upto FY 2020-21 and also equity support for the payment of principal/interest of the Non-Convertible Debentures. Air India has received an equity infusion of Rs. 27,195.21 crore till date.

(d): The Government has received various representations from employee unions of Air India and other persons/groups for not selling the GOI stake in AI. As no bid has been received, any measure/step required to be taken on this account does not arise at this stage. No EoI/ bid was received till the last date of receipt of bids, so the steps required to be taken by the Government to protect the rights of the employees of Air India in this regard does not arise at this stage.

(e): In view of Government's decision to divest stake in Air India, expansion plans vis-a-vis fleet inductions were placed on hold.

(f): As a part of the Turnaround strategy for Air India Ltd, Air India with the overall support of the Govt has initiated a number of steps in order to cut

costs and losses. These steps, inter-alia, include the following:

- (i) Setting up a Route Rationalization Committee to ensure revenue maximization by continuously looking at load factors, revenue yields and competitor fare structure and responding immediately to the same
- (ii) Induction of brand new aircraft on several domestic & international routes to increase passenger appeal
- (iii) Phasing out & grounding of old fleet
- (iv) Leveraging the assets of the Company to increase MRO revenue and revenue from Company's real estate properties
- (v) Introduction of PSS (Passenger Services System) to have a single code and SAP ERP based Solutions
- (vi) Establishment of Integrated Operations Control Centre and Hub Control Centre in Delhi
- (vii) Operationalization of subsidiary companies such as AIATSL & AIESL and transfer of manpower and equipment and treating them as Independent Profit Centers
- (viii) Induction of the B-787 aircraft on Medium Capacity/Long Haul Routes.
- (ix) Restriction on staff overtime/holiday pay, except when operationally required
- (x) Encouraging of same day return duty travel to avoid unnecessary hotel expenses.
- (xi) Restriction on foreign travel
- (xii) Focus on cargo revenue
- (xiii) Focus on ancillary revenue
- (xiv) Rationalising commission of agents
- (xv) Review of loss making routes.
