Air India Disinvestment

What is the issue?

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Indian government is planning for a disinvestment of Air India.

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What does Disinvestment mean?

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- Disinvestment can be defined as the action of an organisation (or government) selling or liquidating an asset or subsidiary.
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- A company or a government organisation will typically disinvest an asset either as a strategic move for the company, or for raising resources to meet general/specific needs.
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- Earlier NDA government (1999-2004) made four strategic disinvestments in
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1. Bharat Aluminium Company (BALCO)
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2. Hindustan Zinc (both to Sterlite Industries),
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3. Indian Petrochemicals Corporation Limited (to Reliance Industries)
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4. VSNL (to the Tata group)
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What is the need for Air India disinvestment?

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- The airline had reported losses for six straight years.
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- Air India’s debt, now about $8 billion, is growing unsustainably.
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- It was bailed out with $5.8 billion of taxpayer money in 2012.
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- More than 18,000 workers were on its rolls for a fleet of just about two dozen planes.
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What are the reasons of failures of air India?

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- Inefficiency, typical in a government-controlled set up, was bleeding Air India.
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- The business had a global as well has domestic competition.
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- This business was not profit oriented and not expected for high returns.
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- Role of politicians in using the airlines for the personal use.
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What is the status of Air India disinvestment?

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- The sale bid earlier shelved prematurely after all the bidders were either disqualified or dropped out.
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- The many factors that were and may still be at work against the sale are not widely understood.
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- In May 2000, bids were invited for a 40% stake in Air India, with a cap of 26% on foreign investment.
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What can be done?

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- The negotiation conditions need to be lowered by the government.
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- Reliable Partnership can be formed for the proper working of the carrier.
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- The government should be clear that foreign airlines should not gain control over Air India.
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- Sharp scrutiny of objections can expose and frustrate hidden vested interests of the bidders.
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- The government will have to exit the airline cleanly and completely.
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- The reform demands political courage, economic wisdom and business-like sharpness.
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Source: The Hindu

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