Air India Disinvestment

Why in News?

The government has tweaked the terms of sale of Air India, and is now putting 100% of its equity in the airline on the block.

Will the new terms attract investors?

- The government is hopeful of attracting investors with the new sale criteria coupled with the main benefits of the airline.
- **New sale criteria** - The low-cost arm Air India Express and a 50% stake in ground handling firm Air India-SATS are up for sale.
- The government relaxed the minimum net worth criteria for potential bidders to Rs 3,500 crore from the Rs 5,000 crore in 2018.
- **Benefits** - The prime slots in capacity-constrained airports across the world, wide-bodied aircraft, and a 50.64% market share in international traffic among Indian carriers.
- Any potential investor is expected to look at the size of the airline's operations with reference to what those operations generate.
- The combined amount of debt and liabilities are at least Rs 32,058 crore.
- Therefore, in addition to valuing the airline and placing a bid for its equity, the new investor will need to invest in turning the airline around.

What will the new investor get?

- Air India's slots and landing rights it holds at global airports could be helpful both to airlines looking to expand into international operations.
- Air India operates to 56 Indian cities and 42 international destinations.
- Several of Air India's routes are profit-generating, while a number of them are loss-making or witness low load factors.
- While the airline comes with 121 aircraft primed as domestic and international workhorses, 18 of them are grounded for lack of funds to make them airworthy.

How will consumers be impacted?

- If Air India is taken over by a private entity or consortium, the first move could be pruning of operations to ensure profitability to the airline.
- This could cause Air India to cease operations on certain loss-making

domestic and international routes — leading to a rise in fares.
- Cutting certain routes could also impact consumers in terms of the unique offerings by Air India.

How will employees be impacted?

- Air India's bloated staff strength was flagged by potential investors in the last disinvestment attempt.
- The airline has 9,617 are permanent staff, 36% of the permanent staff will retire in the next 5 years.
- Whether the employees will be retained by the new investor is unclear.
- The government is expected to provide more clarity on conditions for retaining staff in the request-for-proposal stage, which will come after expressions of interest are received.

Will the airline be finally sold?

- Despite the strong political will to privatise the airline, the government has received opposition even from within.
- Employee unions have always opposed stake sale.
- However, the government has held extensive meetings with the unions, and tried to identify specific issues raised by them.
- A lot also depends on the global politico-economic scenario that enables bidders to show interest in acquiring the loss-making airline.
- If this second attempt too fails, the government will have no choice but to take a piecemeal approach at divesting the national carrier.

Source: Indian Express

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