Air India’s disinvestment

What is the issue?

- The once-iconic Air India has, in the last four decades, witnessed a calamitous fall.
- The diminution had been gradual but the pace of descent intensified when it faced competition.

What is the story behind?

- **DCI’s recommendations** - In the late 1990s, the government recognised the gradual decline in the airline’s service standards.
- The government referred it to the Disinvestment Commission of India (DCI), which recommended dilution of government ownership to 40%.
- **Failure** - But, the effort of the-then government didn’t succeed due to,
    1. Bureaucratic shenanigans and
    2. The role of a private airline promoter who saw in a resurgent Air India competition for his then-fledgling airline.
- Had the disinvestment efforts succeeded, Air India would have today been a professionally managed successful airline.
- The period commencing 2004 hastened the airline’s descent due a series of reckless decisions like acquisition of aircraft in unaffordable numbers; and the merger with Indian Airlines.
- Competitively, the airline was also placed on a weaker wicket due to a liberal distribution of shares out of seats to foreign airlines, allowing them to dominate the Indian skies.

What was the impact of the lack of strategic direction?

- Air India’s precarious financial situation was first made public in June 2009 by the then-Chairman.
- The government, instead of tackling the core problem (the lack of a strategic and operational direction within the airline), it decided to focus on a financial package.
- The bailout package of over ₹30,000 crore (being infused over an 8-year span ending 2021) has not helped Air India evolve into a robust carrier.
- **Factors** - The airline’s survival depends on several factors,

1. Induction of a professional management with an effective leadership.

2. A sound financial package that does not come with political interference in its day-to-day operations.
3. Unions allowing changes in work conditions and pay packages.

- **NITI Aayog's recommendations** - In 2017, it recommended disinvestment.
- But the government decided to retain 24% equity and also wanted the acquirer to absorb a major chunk of the non-aircraft related debt.

Is there any opposition to the disinvestment?

- Air India evokes emotions and a lot of people are averse to its sale.
- They cite its glorious past, the yeomen service it has provided to the nation by evacuating Indians stranded anywhere in the world, etc.
- It is therefore critical that an environment is created where in all major stakeholders are convinced that disinvestment is the best way forward.
- The reality is that major stakeholders are being kept in the dark.
- Besides the Opposition political parties, unions are also opposed.
- Successive Chairpersons have 'claimed a turnaround' in Air India's fortunes, which are now being cited as a reason by unions and politicians for opposing the disinvestment course.
- The stark truth of the airline's performance without government props needs to be effectively explained with facts and figures.

What should the government do now?

- Now, the government has put Air India on the block for disinvestment.
- However, it still doesn't appear to be convinced of the airline's strengths.
- The disinvestment process is largely driven by the Centre's anxiety to get rid of the airline, so that it can spare itself of the responsibility of further infusion of funds.
- Besides playing to its strengths, the government ought to ensure that it exits totally.
- By this, the government will give freedom to the acquirer to transform Air India into a successful player.
- The cost of further infusion of funds if the exercise is allowed to fail mustn't be overlooked.
- To evoke interest in a product that still commands a sizeable market share and has an extensive global network that no other Indian carrier can match, the government also needs marketing skills.

Source: The Hindu



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