

Allowing FDI in Air India

Why in news?

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The Union Cabinet has given its approval for allowing up to 49% foreign investment in Air India (AI), albeit with certain conditions.

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What are the implications?

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- This will allow foreign carriers to bid for the AI along with an Indian partner, which will implicitly broaden the spectrum of potential investors.

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- This is particularly significant for its timing, as a Parliamentary standing committee report had asked for the reconsideration of divesting AI.

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- The panel had asked the government to explore other alternatives and also demanded a wait of at least 5 years to facilitate AI's revival.

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- The panel had also flagged concerns about job losses as a consequence of disinvestment and asked the government to assess such eventualities.

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- Notably, AI had a total debt of about 49,000 crores in March 2017 and the carrier is expected to report a net loss of about 3,600 crores for 2017-18.

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- While there have been some marginal improvements in the recent months, it has been largely perceived as grossly inadequate.

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What is the way forward?

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- With multiple contradictory claims, the parliamentary panel has clearly vouched against privatisation without a nuanced analysis of the AI case.

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- As most arguments put forth have been heard before and haven't been bearing fruit, it is prudent for the government to ignore these recommendations.

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- There is an urgent need to reconcile to the fact that AI has been burning a big hole in the public exchequer for long and has to be done away with.

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- Notably, AI doesn't even enjoy centrality in the Indian Aviation sector anymore, as private carriers now account for 86% of the traffic.

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Source: Business Standard

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