Grounding Air India Crisis

Why in news?

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The Union finance ministry has refused to give taxpayers' money to the state-owned airline, Air India (AI).

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What is the debt status of Air India?

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- The humongous debt burden of AI is getting in the way of its regular operation, such as the payment of employees and vendors.
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- Government's effort privatise AI was failed as the conditions attached to the sale were too onerous for any bidders.
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- The Union ministry for civil aviation had apparently asked for the help finance ministry to resolve the AI crisis.
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- The era of easy budget constraints for AI must come to a close and it is true that this might make it harder to privatise AI.
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- For example, no purchaser would have been allowed to merge AI into their own operations to take advantage of any possible synergies which naturally made it very unattractive for other airlines.
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What is the plan of government in this regard?

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- The finance ministry has complained that there is still no coherent plan to revive AI.
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- AI is clear that sinking yet more hundreds of billions of rupees into the

airline would not help.
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- Conditions were also placed on the firing of employees and the government sought to retain a certain amount of control.
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- Government decided it would not look good to be bailing out an airline in an election year when there are so many calls on the government’s purse, it is nevertheless a decision that should be followed up on.
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What measures needs to be taken?

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- Getting the entirety of the airline off the state’s books is indeed the first-best solution.
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- It is to be hoped that the finance ministry’s refusal to disburse additional funds to AI will push the civil aviation ministry and the airline into serious consideration of where it can raise funds internally.
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- Air India controls considerable real estate, and the finance ministry has suggested this be monetised, much of this should be sold to draw down debt.
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- It also should be able to spin off some of its ground operations, which are already controlled by subsidiary companies.
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Source: Business Standard

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