Privatization of Air India

Why in news?

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Union civil aviation minister indicated that the government is looking at all options for the ailing national carrier, Air India, including possible disinvestment.

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What is the present condition of Air India?

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- Air India had accumulated debt of more than Rs.50,000 crore as of the end of the 2015-16 fiscal year.
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- Flights are routinely delayed, the equipment is old and mouldering, and the service is poor.
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- The airline has become a platform through which politicians and officials enjoy the perks of office.
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What are the advantages of privatization?

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- A privatized Air India will cease to be a drain on the exchequer.
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- The theory of economic policy establishes that government intervention in the economy is warranted only in the event of market failure or of an overarching non-economic objective.
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- Going beyond conventional tools of intervention, such as regulation, taxes and subsidies, nationalization and monopolization of an industry only makes sense in the rarest of cases.
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- e.g Situations in which the private market cannot deliver, such as a case of

catastrophic market failure.
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- So logically the government should not be in the commercial airline business.
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- It might support flights to commercially unviable areas, subsidies, etc, not nationalization.
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- Competing with private airlines, Air India is not doing a good job of it.
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- Its domestic market share dropped to about 13% as of March 2017.
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What should be done?

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- The best way to turn Air India into a great global airlin would be to cut it loose from the clutches of the government.
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- It can be done either by fully privatizing the airline or reducing the government’s stake to a minority interest.
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- e.g Following the privatization, British Airways rose to become the world’s “favourite airline”.
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- The experience of other countries, from Kenya to Canada to Singapore shows how successful is privatization.
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- Disinvestment of Air India would send absolutely the right message, that India is now a market economy.
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- If that happens, we will know that the old era of central planning is, just maybe, genuinely behind us after all.
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Source: Livemint

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