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Govt open to strategic disinvestment in AI: FM

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Finance minister Arun Jaitley has said that the government is open to the idea of inducting a strategic partner in Air India (AI) and that the civil aviation ministry is exploring all possible options for the ailing state-run airline.

This is the first clear comment from the government about the future of Air India.

"Today they (AI) have a market share of 14% and a debt of Rs 50,000 crore. Your money does not go into private airlines such as IndiGo, SpiceJet, GoAir, Jet Airways. Then why should you put Rs 50,000 crore in running Air India? Government money means your money. This money can be used for education," Jaitley said during a panel discussion on Doordarshan News, in which two TOI editors participated.

When asked about the strategy to deal with Air India, the finance minister said if a good management came forward, the government would consider disinvestment. Jaitley explained that of the Rs 50,000-crore debt, nearly Rs 25,000 crore is the value of aircraft. The airline also has some other assets. The civil aviation ministry is exploring all options. "If 86% of the flying can be handled by the private sector, they can handle 100% also," Jaitley said.

On May 17, TOI reported that the Centre had tasked Niti Aayog to devise a road map for the beleaguered state run carrier, which may include recommendation for a strategic sale. The FM said that strategic sales in state-run firms would gather pace in the next two years. "Let there be no misunderstanding that we are going slow on disinvestments," he said. Leaving some sectors where the presence of the government is necessary, the role of the private sector in other sectors is very large," Jaitley said. The Modi government had promised to push ahead with strategic disinvestment, which involves ceding management control, when it swept to power in May 2014 but the process has made limited progress.

Estimates suggested that the airline has liabilities of over Rs 52,000 crore, with the interest burden alone estimated at Rs 4,000 crore a year. While Rs 25,000 crore has been pumped in over the last five years, a similar amount has been committed till 2032.

A large part of the blame is on the way the national carrier was operated during 2005-07 when an aircraft acquisition plan of Rs 50,000 crore. The airline's turnover was around Rs 15,000 crore. That put Air India under a severe debt burden.

On political opposition to closing down Janpath hotel, Jaitley said: "Running hotels is not the business of the government... It is rented out to only government offices. Are we running hotels in this manner? It's a farce," he said.