

COMMENT

## ‘Sickness’ means Big Business

AILING ‘AIR INDIA’ OTHERWISE A show-piece government company for ‘reformers’ frequently hits the headlines for wrong reasons, of course. It’s a unique case of slow poisoning and yet nothing happens to the economic offenders. For some people looting national assets is a way of life and they could go away with it without being punished.

The draft report of CAG reportedly points out that Air India voluntarily closed services on profitable routes. The Amritsar-Birmingham service was started in 2005. This was closed in 2008 citing ‘technical problems.’ Soon thereafter Jet Airways started service on this route. Similarly services were closed on the profitable Kolkata-Bangkok and Kolkata-Dhaka routes. Kingfisher and Jet Airways started services here. Other routes closed were those of Delhi-Kochi, Kochi-Kuwait and Kochi-Muscat. The management preferred to operate only on easy routes even if they were unprofitable. All this cannot go unabated and for so long without policy decisions at the top level.

Air India entered into a contract to buy 111 airplanes at a massive cost of Rs 44,000 crores in 2005 when the company’s market share was declining and the balance sheet was in the red. Air India took 28 airplanes on dry lease between 2000 and 2005 even though it did not have pilots to fly these. The management was more excited about making purchases than making profits for the company. The company has the highest employee per aircraft in the industry. The management was more interested in making fresh appointments rather than getting works done from existing employees.

The problem is not restricted to Air India. It is common to other PSUs like MTNL and Prasar Bharati which too are running in loss.

An unholy nexus has been established between the minister, secretaries and officials of the Public Sector Undertakings (PSUs). All get opportunities of making money on the sly in this dispensation. They can get commissions in purchases, appoint favourite persons, and also use or misuse facilities like guest houses and free seats. In return, the secretaries guarantee continued flow of government money. Privatizing the company will deprive the secretaries of the various benefits that they get. Therefore, they plead with the Government to provide more funds to keep the company afloat. Recently Rs 800 crores has been provided to Air India as equity by the Government. The money will ensure that the stream of benefits accruing to the minister and secretaries will continue unabated.

Air India has embarked on reducing incentives of the staff to cut costs; and slash fares to increase customers. But fewer incentives will weaken the staff morale and cancel benefits that may arise from slashing of fares. The reduced revenues from slashed fares will make things worse.

Most profitable PSUs are today monopolies or have huge historical investments. The State Bank of India, for example, has a huge network that was built over more than a century. It manages the clearing house in most cities. These factors give it an edge over newly formed private sector banks. This formula, however, is not applicable to companies like Air India, MTNL and Prasar Bharati which are not able to face competition from private players.

They first make the PSUs sick and then sell them to private players at throw away prices. In truth ‘sickness’ is a burgeoning business and there are many stake-holders—ministers, bureaucrats, proxy private operators—to make PSUs unsustainable. □□□