
Prelims and Mains focus: about the move to privatize Air India and its significance; about Air India

News: The Union cabinet approved a proposal to let non-resident Indians (NRIs) own up to a 100% stake in Air India Ltd as the government attempts to make a success of its second attempt to completely privatize the debt-laden airline.

Background

The government, which aims to divest its entire stake in Air India, in February began the stake sale process by inviting offers from potential investors after a costly turnaround plan and an earlier effort to sell a controlling stake in the flag carrier failed. To sweeten the deal, the Centre has also reduced Air India’s debt from about Rs.56,334 crore to about Rs.23,287 crore.

About the move

The cabinet, headed by Prime Minister, has approved an amendment to the foreign direct investment (FDI) policy to permit FDI in Air India by NRIs up to 100% under the automatic route.

Significance of the move

The cabinet decision will give the government more flexibility to receive bids for Air India.

Investment rules for NRIs

- Under the existing policy, NRIs/ OCIs (Overseas Citizens of India) are permitted to invest under automatic route up to 100% in scheduled air transport services.
The investment limit including NRIs, in Air India was restricted to 49%, which has now been aligned with the existing policy for investment by NRI in the civil aviation sector.

About Air India

- Air India is the flag carrier airline of India, headquartered at New Delhi.

- The airline was founded by J. R. D. Tata as Tata Airlines in 1932; Tata himself flew its first single-engine de Havilland Puss Moth, carrying air mail from Karachi to Bombay's Juhu aerodrome and later continuing to Madras (currently Chennai).

- After World War II, it became a public limited company and was renamed as Air India. On 21 February 1960, it took delivery of its first Boeing 707 named Gauri Shankar and became the first Asian airline to induct a jet aircraft in its fleet.

- In 2000–01, attempts were made to privatise Air India and from 2006 onwards, it suffered losses after its merger with Indian Airlines.

- Air India has 128 aircraft in its fleet, according to its website, while its subsidiaries Air India Express and Alliance Air have 25 and 19 planes, respectively.

- The airline has 9,426 permanent workers, 4,201 contract employees, and 2,867 employees on deputation.