

# Sell Air India

*To boost economy, Modi government must invest resources where they are really needed*

Finance minister Arun Jaitley has made a lucid and compelling case for why the government should divest stake in Air India. His argument should now be taken to its logical conclusion with a strategic sale of the loss-making airline. As Jaitley says, Air India's market share is now only 14%. Private airlines are already fulfilling 86% of market demand and there is no doubt they can fulfil all of it. Government resources are scarce. It makes no sense for government to be running businesses like airlines or hotels where the private sector does an excellent job. Where the private sector can deliver, government spending represents misallocation and haemorrhaging of taxpayer's money.

The NDA government must, therefore, privatise Air India. This will free up resources which can be deployed in areas where the private



sector cannot meet all needs, and which happen to be poorly served in India, such as healthcare and education. As minister in the earlier NDA government, Jaitley had pushed for disinvestment in Air India. Unfortunately, it did not fructify and the airline became a financial drain on the exchequer.

Air India's financial performance over the last decade has been appalling. It has a registered net loss every year since 2007-08. In April 2012, govern-

ment put in place a turnaround plan which envisaged financial support of Rs 30,231 crore over the next nine years. Till now, almost Rs 25,000 crore has been spent with little to show; instead Air India's market share has shrunk to 14%. Apart from compelling economic reasons to disinvest Air India, Prime Minister Narendra Modi has declared war on VIP culture. Government ownership of Air India encourages ministers, parliamentarians and bureaucrats to make unreasonable demands at its expense – as Shiv Sena MP Ravindra Gaekwad's boorish behaviour recently demonstrated. Selling Air India would also be a significant blow to India's VIP culture.

The previous NDA government's reform record was better than what this NDA government has demonstrated so far, which is why investment, credit and job growth are flagging currently. However, the PM's stock is running high and he has the boldness, political credibility and communication skills to launch big-bang reform. Cutting unproductive subsidies on a large scale would be such a reform. A strategic disinvestment of Air India will send an important signal in this regard, unleashing animal spirits in the economy.