

Just Let Go

*Remember 'minimum government,
maximum governance', privatise Air India*

The Narendra Modi government has started the process of shedding government stake in Air India, a symbolically important step to project its reformist credentials. A complete stake sale in the airline should be the goal of a group of ministers led by finance minister Arun Jaitley, who are to look into relevant details including quantum of disinvestment. The last NDA government toyed with the idea of privatising Air India but failed to carry it out. Tax payers have had to pay a heavy price for the missed opportunity. Therefore, on this occasion the Modi government must finish the job.

It makes no sense for a government to run commercial operations in areas such as aviation, where private companies do a satisfactory job. One, the government faces conflicts of interests when it makes policy, appoints the regulator and also has a



commercial stake. In such a scenario, consumer welfare is inevitably given short shrift. Two, it is a poor choice in terms of resource allocation. To illustrate, India's rural healthcare facilities are abysmal and the market will not plug the gap. It is in an area such as this that government should allocate its resources as there is no viable alternative.

Air India represents the worst of government's forays into commercial ventures. The company has been unable to make a net profit over the last decade. Even an elaborate turnaround plan cleared five years ago has failed to deliver. It is best to end the experiment as the plan envisaged an equity infusion of Rs 42,182 crore over a 20-year period. This will be a colossal waste of resources as the current ownership structure has been unable to iron out many operational flaws. For instance, a recent CAG audit concluded that deployment of aircraft was low. This is odd for a loss making company.

The Jaitley-led ministerial group will have to formulate a plan to privatise Air India as the sale is to encompass its five subsidiaries. There is a debt burden in the region of Rs 50,000 crore which needs attention. But Air India owns many assets such as real estate that improve its financial position. Letting go of Air India should be used as an opportunity to change India's governing philosophy. The government should not be in business and it must live up to its promise of minimum government, maximum governance.