



GOM GIVES NOD TO 49% FDI IN CIVIL AVIATION

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Pursuant to the cash strapped aviation industry, the government is all set to give nod to the foreign airlines to invest in domestic carriers. The Finance Minister and the Aviation Minister decided that it will soon launch the process to allow foreign airlines to have 49% stake in the Indian carriers. At present, foreign airlines are barred from investing in Indian carriers, though foreign direct investment is allowed.

PSA's view: The move comes nearly two months after Prime Minister Manmohan Singh assured the country that he will find ways and means to improve the airlines overcome their financial turmoil. The Cabinet will have to approve this major policy shift which when approved will allow foreign airlines to pick up stake in Indian carriers. Once, this proposal gets the Cabinet approval, it would be interesting to analyze whether foreign airlines would at all want to invest in Indian carriers, most of which are in poor financial shape.

GoM to review Air India's turnaround plans

A GoM is scheduled to hold a crucial meeting to review Air India's debt recast and turnaround plans and recommend to the Cabinet additional equity infusion in the ailing national carrier. The GoM, headed by the Finance Minister would deliberate on the programme for acquisition of 27 Boeing 787 Dreamliner planes. In addition, the meeting is likely to consider the recommendations made by the panel of secretaries to infuse Rs. 23,000 crore into the national carrier over the next 10 years, of which Rs. 6,600 crore could be invested in the current fiscal year ending March 31.

PSA's view: This meeting comes less than a week after the Central Board of Excise and Customs froze Air India's 11 bank accounts for non-payment of duties worth an estimated Rs. 300 crore. According to the official figures, the debt-ridden carrier has outstanding loans and dues worth Rs. 67,520 crore, of which Rs. 21,200 is working capital loan, Rs. 22,000 crore is long-term loan on fleet acquisition, Rs. 4,600 crore is vendor dues and an accumulated loss of Rs. 20,320 crore. It is a matter of time before the government stops proving such turnaround measures for our national carrier. It is prudent for the government to privatize Air India as all the measures initiated by the Government are not yielding any positive outcome.

India Post sign MoU with Air India for Logistics Post Air Service

India Post has signed a MoU with Air India for carriage of "Logistics Post Air" Services by Air India. This service will help the customers to send the consignments to different parts of the country, especially to North-Eastern region. The purpose of the MoU is to cater to the huge demand for Logistics Post Air Services for

hassle free dispatch of consignments to different parts of the country including the North East. India Post in collaboration with Air India plans to start this service from 15 cities initially to meet the demand from the customers. These cities are Ahmedabad, Agartala, Bangalore, Chennai, Delhi, Guwahati, Hyderabad, Imphal, Kolkata, Lucknow, Mumbai, Nagpur, Patna, Pune and Trivandrum. India Post will deliver the consignments of Logistics Port Air to Air India at the point of delivery of departure station and will also collect it at the arrival of the station.

PSA's view: It is a positive step initiated by the India Post. The MoU will stand effective from February 1, 2012 and the services rendered under the MoU will be extended to the other cities in a phased manner. This initiative will have a positive impact on the India Post business and would put them at par with other Logistics Service Providers.

Jet to merge two of its low cost carriers

In order to minimize losses and compete with other low cost carriers, the management of Jet Airways, the largest domestic airline has decided to merge its JetLite and Jet Konnect and the merged airline will work under the brand name of 'Konnect'. However, no date has been announced for merger and re-branding exercise.

PSA's view: Currently, Jet Airways operates JetLite and Jet Konnect as its low cost carriers in the domestic sector. The plan to merge these two airlines by the management is a strategic and long term move. Considering that JetLite does not have a wider passenger appeal, and is undergoing financial turmoil, it was prudent that the management came up with this initiative.

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