

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:1004
ANSWERED ON:28.07.2003
FINANCIAL POSITION OF IA
KINJARAPU YERRANNAIDU

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the financial position of Indian Airlines (IA) has become weak;
- (b) if so, the reasons therefor;
- (c) the estimated loss of IA in the first quarter of 2003-04; and
- (d) the steps being taken to improve its finances?

Answer

MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI RAJIV PRATAP RUDY)

(a) and (b): After earning continuous profit for three years from 1997-98 to 1999-2000, Indian Airlines started incurring losses from the year 2000-01 onwards primarily due to reasons beyond the control of the airline. The main reasons are as under:-

(i) Two successive hikes in Aviation Turbine Fuel (ATF) prices during the year 2000 by almost 50%. Price of ATF touched on all time high of Rs.25,200 per kilo litre in March,2003.

(ii) Increase in landing and navigational charges.

(iii) Increase in security related expenditure due to sky marshalling of flights, secondary frisking of passengers and baggage at boarding and ladder points etc.

(iv) Increase in aircraft maintenance expenditure.

(v) Increase in insurance premiums after the terrorists attack at Colombo Airport in July, 2001 and following the September 11, 2001 incidents in USA.

(c): The Company has incurred an estimated loss of Rs.44.65 crores in the first quarter (April-June) of 2003-04.

(d): Indian Airlines has taken various measures and working out strategies, from time to time and on an on-going basis, to improve its financial performance. The steps taken in this regard mainly include the following:-

(i) Comprehensive budgetary control system: whereby actual performance is compared with budget estimates, shortfall analysis and corrective actions, wherever called for, is initiated on an on-going basis.

(ii) Cost-benefit analysis: before undertaking any major project/ investment.

(iii) Cost Control and Economy measures: Control on overtime, engagement of casual labour, Staff on Duty (SOD) travel, hotel, transport & other crew lay over expenditure, aircraft maintenance, freeze on recruitment unless absolutely necessary for operational reasons, fuel monitoring and tankering, review of uneconomic flights, inventory management, outsourcing of services wherever feasible/ economical.