

BJP government pushes Air India into financial morass to hasten privatization

By Kranti Kumara
28 September 2018

India's Narendra Modi-led Bharatiya Janata Party (BJP) government is pushing Air India, the heavily indebted, state-owned airline, toward a financial precipice so as to facilitate its breakup and privatization.

Events suggest the Modi government may even choose to force Air India into bankruptcy, as happened with Swissair following the mid-1990s "deregulation" of Europe's airline industry. This would open the door to hedge funds and other vulture capitalists hiving off the airline's considerable assets, including aircrafts, hotels, and other properties, while leaving the Indian people to pay for the airline's debts through increased taxes and social spending cuts.

Earlier this year, the BJP government tried to sell off a 76 percent ownership stake in Air India and 100 percent of its low-cost carrier, Air India Express, but did not receive a single purchase offer by its May 31 deadline.

India's principal air carrier is weighed down by a massive combined short and long-term debt, which as of March 31, 2017 stood at 658 billion rupees (Rs) or \$10.3 billion. Interest payments on this debt amounted to a massive Rs. 42 billion in 2017 (\$650 million) while profits were a measly Rs. 57 million (\$890,000).

The Modi government has been deliberately exacerbating the airline's crisis by withholding the funds Air India desperately requires for its long-term survival. This is because the government is determined to use the crisis to push for a corporate restructuring aimed at slashing costs and squeezing more profit from the workforce, in order to make Air India more attractive to private investors.

The Modi government's hard line towards the airline, which has the implicit approval of the opposition parties, is meant to send a political signal that the

government is determined to push forward with its privatization drive.

The government is utterly indifferent towards the fate of the airline's workforce, which, whether under bankruptcy or privatization, will face huge job losses and a frontal assault on wages and benefits.

Air India, which in recent months has repeatedly failed to meet its payroll, has seen its pleas for support rejected by the government.

This week, junior Aviation Minister Jayant Sinha claimed discussions within the government on an Air India "bailout" are at an advanced stage. But even if true, the focus of any "rescue plan" will be on reducing the debt on Air India's balance sheet so as to make it more attractive to investors.

Sinha's boss, Civil Aviation Minister Suresh Prabhu, recently told the Press Trust of India, "Forget Air India, nobody can handle that debt. For any airline to service that debt is not possible."

Currently, the airline is staying afloat from the trickle of funds that remain from a Rs. 300 billion cash injection granted by the then-ruling Congress Party-led United Progressive Alliance (UPA) government in 2012.

The selling off of public assets at fire sale prices has been a key part of the Indian bourgeoisie's class strategy since it jettisoned state-led capitalist development in 1991, in favor of India's full integration into international capitalist markets and transformation into a cheap-labor haven for global capital.

However, the Hindu supremacist BJP has accelerated the privatization drive. This has included targeting some of the so-called *navratna* public sector companies (those, generally highly profitable, in strategic sectors like oil production and distribution) for

“disinvestment” or partial privatization.

This is for ideological reasons, but also because the revenues from disinvestment are an important element in the government’s neoliberal fiscal strategy, which aims to keep taxes low for big business and the rich while reducing India’s budget deficit at the expense of India’s workers and toilers.

Each year the finance minister announces during his annual budget presentation the amount of funds the government expects to raise from selling off government ownership in Public Sector Enterprises (PSEs). The proceeds are then used to help meet the government’s annual fiscal deficit target.

Air India’s travails are largely a result of successive Indian governments compelling this previously high-quality airline to compete in a cutthroat manner with a plethora of low-cost private air carriers that were licensed to operate especially since the beginning of this millennium. Other important contributing factors are: India’s heavy fuel taxes; the UPA government’s insistence the airline purchase 111 Boeing and Airbus aircraft at a cost of Rs. 700 billion in 2006-7; and its forcing the state-owned carrier to cede many lucrative routes to the new private airlines.

Many of the private carriers that came to proliferate India’s skies after 1991 have since gone bankrupt. These private airlines’ “low-cost model” resulted in working environments characterized by low wages and brutal exploitation and air fleets comprised of decades-old aircrafts. Such precariously run airlines were lauded by the ruling class as a magical outcome of the “free market”.

Their bankruptcies have further inflated the huge portfolio of unpaid corporate debt that is weighing down India’s public-sector banks and threatening to trigger a major financial crisis.

So dire is Air India’s financial condition, it now must borrow funds just to finance its day-to-day operations, including the payment of salaries to its 17,000 employees. It also has been unable to obtain spare parts, grounding many aircrafts.

The current employee count is a steep decline from the 33,000 workers the airline employed when the UPA government created it in 2007 through the amalgamation of the state-owned overseas carrier, Air India, and its domestic counterpart, Indian Airlines Ltd.

Since March, the payment of workers’ wages has

been delayed every month by management without any prior notification. Air India paid the flying allowances for the month of June to its pilots only on August 20, and only after they had threatened to stop flying if payment was not made immediately.

In mid-August, the Indian Commercial Pilots Association (ICPA), which represents the airline’s 600 pilots, wrote a pleading letter to management urging it to partner with them to find a solution to the crisis. The letter went on to ask whether Air India’s planes were even safe to fly, since routine maintenance has been heavily impacted by cost cutting.

The BJP government has been emboldened to act in this high-handed fashion by the inaction and indeed criminal passivity of the numerous trade unions that claim to represent Air India employees, and more generally by the unions and Stalinist political parties’ complicity in implementing the Indian bourgeoisie’s neoliberal agenda. The Stalinist Communist Party of India (Marxist) has pursued what it itself describes as “pro-investor” policies in those states where it has held office over the past quarter-century and it has systematically tied the working class to pro-big business governments, most of them Congress-led, at the Center in the name of “blocking the BJP.”

To contact the WSWWS and the
Socialist Equality Party visit:

<http://www.wsws.org>