

# Modi government sells off state-owned Air India for a song to kick-start new privatisation drive

Kranti Kumara  
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India's far-right Narendra Modi-led government has sold the country's flagship state-owned airline, Air India, to the Tata Group for a pittance. Led by the suave but rapacious industrialist Ratan Tata, the Tata Group is India's largest conglomerate with a total market capitalization of \$319 billion (Indian Rs. 23.6 trillion).

The sale of Air India is being touted by Modi's Bharatiya Janata Party (BJP) government as the opening salvo in an across-the-board push to privatise virtually all state-owned companies and is being celebrated by Indian big business and international capital as such.

Although the Modi government and the Congress Party-led United Progressive Alliance government that preceded it have pressed forward with "disinvestment," reducing the government stake in numerous Public Sector Undertakings (PSUs) and ensuring that they are operated on "for profit" business lines, Air India is the first central government PSU to be sold off in its entirety in 19 years.

In truth, gifted would better describe what has taken place. To gain sole ownership of one of the world's premier airlines, Tata Group is making an upfront cash payment of just \$365 million (Rs. 27 billion) and assuming \$2.1 billion (Rs. 153 billion), or 25 percent, of the airline's total \$8.3 billion (Rs. 616 billion) debt. This leaves the Indian government with the responsibility for the remaining \$6.3 billion (Rs. 463 billion), which will be paid off no doubt through diminished social support for, and increased taxation of, working people.

The Tata Group is pocketing not just Air India, but also its budget airline subsidiary, Air India Express, which has a fleet of 24 narrow-bodied Boeing 737-800s used to provide service to and from the Gulf. It is also acquiring the government's 50 percent stake in Air India SATS, which provides ground handling, food catering and aircraft cleaning services.

Air India has a premier fleet of 117 wide-body jets and employs around 12,000 workers, including highly skilled

mechanics and pilots. Its aircraft fleet is alone estimated to be worth anywhere from \$5.4 to \$6.8 billion (Rs. 400 billion to Rs. 500 billion).

The airline is to be completely handed over to the Tata Group by year end. Under the terms of the deal, Tata has pledged not to lay off any workers for one year. Thereafter, it can be expected to mount a massive cost-cutting drive, targeting workers' jobs, wages, pensions and working conditions.

The International Monetary Fund (IMF), which has used its financial muscle to promote privatisation around the world, was quick to hail the sale of Air India. Alfred Schipke, a former chief of the IMF India Mission and current director of the IMF's Singapore Regional Training Institute, called it "an important milestone."

The head of the Confederation of Indian Industries (CII), Chandrajit Banerjee, similarly gushed his approval. The "successful privatisation of Air India marks a momentous event," declared Banerjee, "and sends out a clear message to the markets and global investors that the present government has the political will to bite the reform bullet."

Numerous corporate media editorials also hailed the privatisation deal. The *Indian Express*, to cite but one, praised the Modi government for its readiness to make Air India alluring to investors by "tweaking the modalities of the sale agreement," adding that this "sends an unambiguous message—about its determination to push forward with a privatisation agenda."

Indeed, the government has served notice that as part of its pandemic "economic recovery" strategy virtually all PSUs are now on the auction block and in all sectors from mining, transport and electricity-generation to banking. Under the government's plans, only a handful of "strategic" PSUs, such as weapons manufacturers, are not to be privatised.

The Modi government's privatisation push is aimed at intensifying its drive to make India a cheap labour production-chain hub for global capital, attracting increased

foreign direct investment and providing cash infusions to the Treasury to staunch spiraling deficits.

The IMF and the World Bank, along with Washington, have long been pressing for New Delhi to dismantle India's state sector enterprises.

The government has set a disinvestment and privatization target of \$24 billion (Rs. 1.75 trillion) for the current 2021-22, fiscal year. Among the PSUs to be sold off outright are the IDBI Bank, Bharat Petroleum Corp. and Shipping Corp. of India.

At the same time, the government has initiated the partial privatization of the Life Insurance Corporation of India (LIC,) which is estimated to have Rs. 36 trillion (\$864 billion) in assets and dominates 60 percent of India's life insurance market. According to the Reuters news agency, one of the top officials spearheading the privatisation drive, Tuhin Kanta Pandey, said that "the government hoped to complete the valuation exercise of LIC by November-December." The Modi government aims to raise Rs. 900 billion (\$12 billion) by selling 5 to 10 percent of the government's current 100 percent ownership.

The Modi government announced a whole slew of pro-investor economic "reforms" during the budget session of parliament in February. Modi, who is known for his use of crude and trite phrases, stated at the outset that the Indian government has "no business to be in business." He then stated that the mantra of the government's remaining three-year term in office is "Monetise and Modernise."

Monetisation refers to handing over publicly owned infrastructure such as railways, ports, roads and electricity assets for "management," i.e., sporadic maintenance, by private companies. These companies would then charge fees to the public, the supposed owners of these assets to use their own facilities, with a small portion of this "income" to be handed over to the Indian government.

Modernization is a codeword for selling off India's state sector to domestic and international companies so that they can be run "efficiently," i.e., transforming workplaces into sweatshops by imposing long working hours and low pay and further expanding the use of contract workers who can be hired and fired at will.

The Air India sale to the Tata Group was consummated in short order, with the government offering especially lucrative terms to the buyer, so as to demonstrate to Indian and international capital its determination to kick-start its privatization drive. The BJP government was determined not to repeat what happened in 2018 when its attempt to sell off a 76 percent stake in Air India elicited not a single bid.

Air India was one of the top-class international airlines prior to 2006. At that time the Congress Party-led UPA government forced Air India and also the state-owned

domestic Indian Airlines to order a huge fleet of 111 airplanes from US Boeing corporation—68 for Air India and 43 for Indian Airlines. The two airlines, which were subsequently merged by the government, were forced to finance their gargantuan combined \$15 billion (Rs. 700 billion) purchase by taking on huge amounts of debt. The UPA government was adamant that the deal go ahead, jettisoning Air India's plans to buy planes from European-based Airbus, so as to help cement the Indo-US "global strategic partnership" it had struck with Washington the year before. Then US President George W. Bush personally lobbied Prime Minister Manmohan Singh to proceed with the Boeing order.

Although final details of the Air India sale are still to be worked out, the Indian government has sent notices to Air India workers to vacate their staff quarters within six months of the sale being formally consummated.

The unions that represent the Air India workers have bleated their opposition but have no intention of making the Air India workers' struggle the spearhead of a working-class offensive against the BJP's privatisation drive and, more generally, its rapacious big business agenda.

Both the Stalinist Communist Party of India, Marxist (CPM) and the smaller Communist Party of India (CPI) have systematically suppressed the class struggle, diverting workers into futile protest campaigns aimed at appealing to Modi to change course, while trying to politically tie them to the Congress and other right-wing opposition parties.

The CPM's trade union arm, the Centre of Indian Trade Unions CITU which claims to represent over 5 million workers, has denounced the Air India sale as "anti-national" borrowing a phrase the Modi government has used to criminalize dissent by students, journalists and intellectuals. It accuses the Modi government of handing over "one of the prides of India" to a "private monopoly house ... virtually free of cost," while toothlessly calling upon its affiliated trade unions to "resist" such "anti-national activities."



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