On privatisation of Air India: Ready for sale

The Union Cabinet has approved a series of changes in foreign direct investment norms as the government prepares to enter the last lap of its economic policy-setting phase ahead of the 2019 election. Key among these was the decision to allow up to 49% overseas ownership, including by a foreign airline, in Air India. This comes just a little more than six months after the Cabinet Committee on Economic Affairs gave its nod for a strategic disinvestment of the airline. The relaxation in ownership norms clears the decks for possible bidders such as the Singapore Airlines-Tata combine and Jet Airways — with its overseas equity and route partners — to make a more detailed commercial assessment of the investment opportunity the state-owned flag carrier presents. For the fiscally constrained government, the decision couldn't have come sooner. With the Union Budget due soon and the government woefully short of its budgeted strategic disinvestment goal for the current financial year — as of end-November, only 28% of the targeted 15,000 crore had been realised — the hope must be for an accelerated timetable for the stake sale. Still, the fulfilment of a necessary condition for a strategic sale doesn't automatically become sufficient grounds for a successful privatisation. Given the carrier's accumulated debt of about 50,000 crore and the fact that the interest of potential investors is likely to be focussed on Air India's lucrative long-haul international routes and its fleet of more than 40 wide-bodied aircraft, disinvestment will be neither easy nor guaranteed. At the very least, the government needs to set a clear, unambiguous road map for the sale process.

The other reform cleared by the Cabinet was the crucial decision to put 100% FDI in Single Brand Retail Trading under the 'automatic' route, accompanied by the long-sought relaxation of mandatory local sourcing norms. This had been a major issue with potential investors including Apple, which had repeatedly urged the government to take a more benign view given the level of technological advancement incorporated in its products and the difficulty in finding local sources of supply at the requisite scale. The five-year holiday on the 30% local-sourcing requirement is expected to give companies setting up shop here adequate time to identify, train and even technologically assist in the creation of local supply chains. If this decision was going to be made, it is surprising it was not done in November 2015, when the Centre changed tack and opened up single brand retail to 100% FDI. An early decision would have helped, given the sector's potential for job-creation and technology upgradation. Still, better late than never.

The draft of Assam's National Register of Citizens is a first step, but it opens up concerns

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