AIR INDIA'S US$4.5 BILLION BAILOUT FAILS TO AVERT GROUNDED 787S

News / Airlines

Air India Ltd., the state-run carrier that has survived on a 300 billion-rupee (US$4.5 billion) taxpayer-funded bailout, is struggling to pay for spare parts forcing it to ground two Boeing Co. Dreamliners.

The aircraft were not operational for about 10 months each as worldwide demand for parts outpaced supply from Boeing, and Air India failed to procure components on credit due to a "financial crunch"; Mahesh Sharma, India's junior aviation minister, told parliament Thursday. While the carrier kept paying rentals of US$1 million every month for each of the two planes, it also lost money as they were out of operation, he said.

The grounded planes underline the woes of the carrier that has been unprofitable since its 2007 merger with state-owned domestic operator Indian Airlines Ltd. Its share in the local market has shrunk to 16 percent from 35 percent a decade back, placing it third in national ranking, even as

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competition has intensified with foreign airlines buying stake in local carriers and new ventures starting operations.

Operators of the Dreamliner across the world are facing problems due to "high rate of failures of components," said Sharma. And Boeing "could not support the demand of failed units on various 787 aircraft since demand was more than supply."

One of the aircraft was grounded from April 2014 to February this year, while another has not been operational since January, Sharma said. A Boeing spokeswoman in India didn't immediately respond to an e-mail seeking comment.

Marquee Jet

The Dreamliner, Boeing's marquee jet, has experienced a series of malfunctions since its debut in 2011, including a three-month grounding of the global fleet in 2013 after battery meltdowns on two planes.

Air India and some other airlines such as Norwegian Air built their growth plans around the composite-material Dreamliner and its promise of more fuel-efficient operation. The Indian airline, which in 2O12 received the taxpayer-funded bailout, needs to meet cost, revenue and load-factor targets to keep getting money from the government every year until 2021.

The state-run carrier pays higher interest rates on its overseas loans compared with other Indian companies as lenders remain unimpressed about the airline's turnaround. It probably lost US$900 million to US$920 million in the year through March 2015, according to estimates by CAPA Centre for Aviation, after losing about US$810 million in the previous 12 months.

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