

Caretaker cabinet approves PIA's privatisation plan

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Islamabad: Pakistan's caretaker cabinet approved a privatisation plan for loss-making Pakistan International Airlines on Tuesday (Feb 6), days after the country's election panel directed it to refrain from making any final deal.

The cabinet's approval is a crucial pre-requisite to taking the airline to market for a sale, which the election panel said should be put on hold until it has reviewed the plan.

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However, the interim government has recently sealed the plan to put the national carrier up for sale, Reuters reported last week.

"These steps will help attract the investors toward PIA," the prime minister's office said in a statement, adding that the transaction adviser Ernst & Young had completed a plan for the financial restructuring of

the loss-making airline.

The plan to tie an incoming government's hands on privatisation underscores the economic challenges a new administration will face under tough conditions imposed by an International Monetary Fund bailout, with the South Asian nation of 241 million people reeling from decades-high inflation.

The cabinet gave its approval on the recommendation of Pakistan's privatisation commission, a body assigned to sell off all loss-making state-owned enterprises (SOEs).

The restructuring plan has split PIA into two entities.

One 'clean' one will be offered up for sale and the other will be parked in a holding company with legacy debt, which includes negative equity of 825 billion rupees (\$2.95 billion) in loans, creditors' money and losses.

The statement from the prime minister's office said the plan which had been approved would "divide the PIA into two companies, TopCo and HoldCo".

It said PIA's core operations, engineering, ground handling, cargo, flight kitchen and training will be part of TopCo, while its precision engineering complex, PIA investment Ltd and other departments and properties will be included in HoldCo.

Pakistan agreed with the IMF last June to overhaul the SOEs under a deal for a \$3 billion bailout and the outgoing government decided to privatise PIA just weeks after signing it.

The caretaker cabinet, which took office in August to oversee this week's election, was empowered by the outgoing parliament to take any steps needed to meet the budgetary targets agreed with the IMF.

PIA has liabilities of 785 billion Pakistani rupees (\$2.8 billion) and accumulated losses of 713 billion rupees (\$2.55 billion) as of June last year.

Progress on privatisation will be a key issue if the new government goes back to the IMF once the current bailout programme expires in March, analysts say.

