

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:1183

ANSWERED ON:30.07.2001

REDUCTION IN FARES BY INDIAN AIRLINES

A. VENKATESH NAIK;RAMSHETH THAKUR;RAOSAHEB PATIL DANVE

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the Indian Airlines has reduced its fares;
- (b) if so, the details thereof along with the names of routes on which it has been reduced and the impact of it on the other airlines;
- (c) whether the Indian Airlines has been incurring heavy losses during the last three years and the current year;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the steps taken by the Indian Airlines to reduce the administrative expenditure and to make the airlines profitable?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a) and (b): Effective 28th June, 2001 Indian Airlines has reduced the fares on the following 5 sectors, of which on 3 sectors the fares were reduced to a level lower than that prevailing prior to 25th May, 2001 i.e. the date of introduction of flexi fares:

Ahmedabad-Bangalore, Mumbai-Bangalore, Mumbai-Chennai, Mumbai-Kolkata, Mumbai-Goa.

As per information with Indian Airlines, other airlines have also adjusted their fares downwards.

(c) and (d): No, Sir. The Company had earned profit during the financial years from 1997-98 to 1999-2000 as indicated below:

| Year | Net profit (Before Tax) (Rs. crores) |
|------|--------------------------------------|
|------|--------------------------------------|

| | |
|-----------|-------|
| 1997-98 | 47.27 |
| 1998-99 | 14.17 |
| 1999-2000 | 51.42 |

The Revenue and Expenditure Budget of the Company for the year 2000-01 prepared and approved in December, 1999, projected a net profit of Rs.28.75 crores at the then prevailing input prices. Subsequent to the Budget approval in December 1999, there was steep rise in ATF prices and other input costs, which brought an additional financial burden of over Rs.300 crores on the Company. As a result, the Revised Estimates (RE) for the year 2000-01 reflect a loss of Rs.177.25 crores. The Annual Accounts for the year are presently under audit.

Had the above cost escalations not taken place, the Company would have ended the financial year 2000-01 with a profit higher than the budgeted profit of Rs.28.75 crores.

During April, 2001, for which the Financial Results are available, the Company has made a net loss of Rs.17.75 crores as against the budgeted loss of Rs.26.30 crores.

(e): The Company has adopted the policy of flexible fares on its domestic network w.e.f. 25th May, 2001. Under the Flexi-fares, fixation of fares will be based on seasonality, competition, timing of flight and other demand and supply variables. Thus, the flexi-fare regime is expected to improve revenue earnings of the Company due to higher capacity utilisation and better yields.

Besides the flexi-fare, the Company has taken various steps to improve its financial and operating performance which, inter alia, include the following:-

- (i) Strict Budgetary Control with all the major items of expenditure are subject to cost benefit analysis, operational and commercial expediency, financial sanctions etc.
- (ii) Better Fleet Utilisation; improvement in the productivity of Pilots, Aircraft Engineers, Minimising the ground turn round time, Night flights on certain domestic sectors, Increased international operations, better scheduling of aircraft and route planning, Capacity deployment in alignment with market requirements etc.
- (iii) Improvement in the quality of product; Improvement in On-time performance, general improvement and upgradation of services to the users etc.
- (iv) Marketing initiatives; Code sharing with the foreign airlines, High level of participation in Computerised Reservation System. Various promotional schemes including corporate incentives etc.
- (v) Flexible Fares; Fixation of fares on seasonality, competition, timing of flight and other demand and supply variables
- (v) Cost control measures; Control of overtime, Casual labour, hotel/travel expenditure, crew lay over expenditure Freeze on recruitment unless absolutely necessary for operational reasons, Fuel monitoring and tankering, control on aircraft maintenance, Reduction in publicity and sales promotional expenditure, Review of uneconomic flights Inventory management, Outsourcing of services to the extent feasible etc.