

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:277
ANSWERED ON:29.08.2013
LOW COST CARRIERS .
Antony Shri Anto

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the Government has conducted any study on the potential of low cost carriers in the country;
- (b) if so, the details thereof including the benefits that may bring to the economy of the country;
- (c) whether the low cost carriers operating in the country are facing a lot of constraints in utilising their potential;
- (d) if so, the details including the reasons therefor; and
- (e) the steps taken/proposed to be taken by the Government in this regard?

Answer

Minister of CIVIL AVIATION (SHRI AJIT SINGH)

(a), (b), (c), (d) and (e): A Statement is laid on the Table of the House. STATEMENT TO BE LAID IN REPLY OF THE LOK SABHA STARRED QUESTION (#) NO. 277 FOR ANSWER ON 29.08.2013 REGARDING 'LOW COST CARRIERS'

(a) and (b): The term Low Cost Carrier (LCC) is basically a business model practice adopted by certain airlines. As there is no criterion defined to classify airlines as Low Cost Carrier (LCC). Director General of Civil Aviation (DGCA) has not categorized any airline as LCC . However, AI Express, JetLite, SpiceJet, Go Air and IndiGo are operating scheduled air services on low cost and no frill basis. No study has been conducted on the potential of these carriers by the Ministry.

(c) and (d): The number of passengers carried by domestic airlines during 2012 was 58.80 million as against 60.70 million during 2011, thereby registering a decline in growth by 3.04 percent. The spiraling cost of Aviation Turbine Fuel (ATF), global economic slow down, low yield due to intense competition and consequent widening gap between revenue and expenses and depreciation of rupee have contributed to financial crisis of the airline sector. Over the years, the operational costs for the airlines have gone up mainly due to increase in fuel prices and depreciation of Rupee. Further, the airport/user development fees have gone up for some major airports. The service tax has also increased in FY. However, the domestic traffic has shown positive growth in the current year.

(e): The Government has taken several measures to provide impetus to the aviation industry and to ensure long term viability of the sector which include:

(i) Director General of Foreign Trade has allowed direct import of ATF by airlines on actual user basis.

(ii) FDI by foreign airlines in the domestic scheduled and non scheduled carriers has been permitted upto 49 percent of their paid up capital.

(iii) ECB upto \$ USD 1 billion has been permitted for the airlines to meet their working capital requirement.