

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:1331

ANSWERED ON:01.12.2014

INDIAN AVIATION INDUSTRY

Chandrappa Shri B.N.;Chavan Shri Ashok Shankarrao;Karandlaje Km. Shobha;Kirtikar Shri Gajanan Chandrakant;Reddy Shri Ponguleti Srinivasa;Singh Shri Kunwar Haribansh

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the Indian Aviation Industry is currently facing many challenges and issues including those related to the upkeep of airport, flights connectivity and regional connectivity;
- (b) if so, the details thereof along with the action taken or proposed to be taken by the Government in this regard;
- (c) whether the Government has requested all the States to consider a cut in taxes on Aviation Turbine Fuel or jet fuel sold in their States; and
- (d) if so, the details thereof and the response of the States thereto?

Answer

Minister of State in the Ministry of CIVIL AVIATION (Dr Mahesh Sharma)

(a) & (b) Civil Aviation is a Dynamic sector which requires continuous adjustment according to global & domestic needs and various challenges being faced by the Industry. The Government has constantly been responding to changing scenario and undertaking sector specific measures to facilitate and enable growth of the sector. Government has taken several measures to revive the aviation industry and ensure long term viability of the sector, which include:

- (i) The issue of rationalization of Value Added Tax (VAT) on Aviation Turbine Fuel (ATF), has been taken up with the State Govts.
- (ii) Director General of Foreign Trade has allowed direct import of ATF by airlines on actual user basis.
- (iii) Foreign airlines have been allowed to invest in the equity of domestic carriers up to 49 percent.
- (iv) External Commercial Borrowings (ECB) upto \$ USD 1 billion has been permitted for the airlines to meet their working capital requirement.

With regard to Air Connectivity, Government has laid down Route Dispersal Guidelines with a view to achieve better regulation of air transport services taking into account the need for air transport services of different regions of the country. It is, however, up to the airlines to provide air services to specific places depending upon the traffic demand and commercial viability .As such the airlines are free to operate any where in the country subject to compliance of RDGs issued by the Government.

(c) & (d) Yes, Madam. Since the cost of Aviation Turbine Fuel (ATF) constitute about 45% of the operational cost of an airline and the major contributor to this is the Value Added Tax (VAT) on ATF which is in the range of 4 to 30%, Government has been requesting the State Governments to reduce VAT on ATF to make the operations commercially viable. 80m\$ of the States like Odisha, Jharkhand, Madhya Pradesh, Andaman and Nicobar, Chattisgarh, Rajasthan (when airlines created hub for intra state flight) Andhra Pradesh and Punjab have responded positively and reduced VAT on ATF to around 5%.