



# GOVERNMENT TO PROVIDE CONCESSIONS TO AIRLINE INDUSTRY

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**April 2012**

## **Government to provide concessions to airline industry**

The Government has announced its plans to allow airlines to directly import ATF and 49% FDI in the aviation sector as a measure to try and revive the ailing sector. In addition to these measures, the government is contemplating allowing private carriers to operate more international route by sharing its bilateral traffic rights which was previously reserved for the national carrier. Further, the government has announced 100% FDI under the automatic route for greenfield airports to facilitate more international traffic across India as well as formulating an Air Cargo Promotion Policy in an effort to encourage cargo operations from India.

PSA's view: These decisions by the Civil Aviation Ministry show an understanding that the conditions affecting the airline carriers are external factors and government intervention is required. While it is unclear as to how airlines will be able to attract FDI, nonetheless it is a welcome measure for any airlines looking to invest in India. Allowing direct import of ATF is the biggest relief to airlines since fuel cost forms 40% of the total cost of operations by an airlines as opposed to 25% which is the global standard. However, only time will tell whether these measures have been proposed in time and if airline carriers are able to bail themselves out of loss making conditions.

## **Establishment of CASAC**

The Director General of Civil Aviation had recently expressed concern over safety of airline operations especially those which are under massive fiscal burden and had not paid their staff the salaries. In order to have a continuous monitoring process in place, the CASAC has been established under the Ministry of Civil Aviation. This organization is chaired by the Secretary of the Ministry and is a representative body of all stakeholders which continuously form policies and regulations for maintaining airline safety.

PSA's view: In our view, the DGCA has in place a stringent and globally accredited safety audit procedure in place. In addition to this, the DGCA also has in excess of 500 safety inspectors or flight operations inspectors. In this light, instituting an additional body for the functions the DGCA is already carrying out, may not be the most optimum utilization of resources and may lead to deadlocks where there is an inconsistency between the new body formed and the civil aviation regulator.

## **SpiceJet first to get approval for direct import of ATF**

SpiceJet has become the first private Indian airline to get the approval to directly import ATF. The DGFT has accorded its approval pursuant to the change in policy by the government and SpiceJet is in talks with leading domestic fuel suppliers to avail the requisite infrastructure to be able to import and store fuel.

PSA's view: In view of the increasing pressures on private airlines to remain afloat, importing ATF directly will cut down a significant portion of the operating costs domestic carriers had to face sourcing it from local suppliers. However, while on one hand they have reduced cost of sales tax by being able to import ATF directly, the cost of storage and sourcing ATF will be added, since none of the airlines have the requisite infrastructure to maintain and process ATF. It will be interesting to see how the costs are balanced and whether the permission to directly import ATF really benefits domestic airlines.

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