

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 3659
(To be answered on the 24th March 2022)**

CHALLENGES BEFORE THE AVIATION SECTOR

**3659. SHRI CHANDAN SINGH
SHRI AJAY NISHAD**

Will the Minister of CIVIL AVIATION

के.के. शर्मा

be pleased to state:-

- (a) whether the Government has identified major challenges in aviation sector of the country;**
- (b) if so, the details thereof;**
- (c) the action taken by the Government to reduce the operational cost of aviation sector;**
- (d) whether the Government proposes to supply aviation turbine fuel at a lower cost;**
- (e) if so, the details thereof; and**
- (f) the action taken to reduce the high service charges and other incidental charges which contribute towards the high cost of aviation fuel?**

ANSWER

Minister of State in the Ministry of CIVIL AVIATION

के.के. शर्मा

(GEN. (DR) V. K. SINGH (RETD))

(a) and (b) Major challenges faced by the aviation sector in the country are as follows:

- (i) Adverse impact of COVID-19 pandemic.**
- (ii) High taxes on aviation fuel**
- (iii) Weak financial status of some airlines**
- (iv) Sub-optimal infrastructure**
- (v) Highly price-sensitive customers**
- (vi) Sub-optimal leasing, MRO and manufacturing**
- (vii) Low presence on international routes**
- (viii) Mega aviation hubs in India's vicinity, and**
- (ix) Shortage of skilled professionals etc.**

(c) Government has taken inter-alia the following steps to reduce the operational cost of aviation sector:

(i) Goods and Services Tax (GST) rate has been reduced from 18% to 5% for domestic Maintenance, Repair and Overhaul (MRO) services.

(ii) A conducive aircraft leasing and financing environment has been enabled.

(iii) Improvement in air navigation infrastructure is being carried out to enable better utilization of airspace and airport capacity.

(iv) To reduce congestion at airports and to address the challenge of sub-optimal infrastructure, Airports Authority of India (AAI) has taken up development of new and existing airports with a projected capital expenditure of around Rs. 25,000 crores in next five years. This includes construction of new terminals, expansion and modification of existing terminals, expansion and/ or strengthening of existing runways, aprons, Airport Navigation Services (ANS) infrastructure, control towers and technical blocks etc.

(v) The Public Private Partnership (PPP) airports at Delhi, Hyderabad and Bengaluru are undertaking major expansion projects of around Rs. 30,000 crores by 2025. Additionally, Rs. 36,000 crores have been planned for investment in the development of new Greenfield airports across the country under PPP mode.

(vi) Government of India (GoI) has accorded 'in-principle' approval for setting up of 21 Greenfield Airports across the country. So far, eight Greenfield airports namely, Sindhudurg and Shirdi in Maharashtra, Durgapur in West Bengal, Pakyong in Sikkim, Kannur in Kerala, Orvakal in Andhra Pradesh, Kalaburagi in Karnataka and Kushinagar in Uttar Pradesh have been operationalized.

(d) to (f) The prices of Aviation Turbine Fuel (ATF) are market determined, based on global crude oil prices, foreign exchange rate, operational expenses, other incidentals and the profit margin. ATF attracts a 11% Central Excise duty. ATF used by airlines operating under the Regional Connectivity Scheme (RCS) attracts concessional 2% Central Excise duty. Foreign bound aircraft under RCS are exempted from Central Excise duty.

The Value Added Tax (VAT) levied on sale of ATF to airlines varies across States/ Union Territories (UT). The issue of reduction of VAT on ATF has been taken up with the States/UTs. Till 15th March 2022, the following 12 States/UTs have reduced VAT on ATF:

Andaman & Nicobar Islands, Dadar & Nagar Haveli and Daman & Diu, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Ladakh, Karnataka, Madhya Pradesh, Tripura, Uttar Pradesh and Uttarakhand.
