

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
Lok Sabha
UNSTARRED QUESTION NO. : 670
(TO BE ANSWERED ON THE 28th November 2024)
HIKE IN AIR TICKET PRICE

670. DR. K SUDHAKARAN

Will the Minister of CIVIL AVIATION

be pleased to state:-

- (a) whether the Government has noticed a severe rise in Air ticket prices across the country and if so, the details of corrective steps taken thereof;**
- (b) whether Aviation Turbine Fuel is being planned to be brought under GST to reduce cost of tickets and if so, the details thereof;**
- (c) the steps and measures taken to reduce the price of international airline tickets;**
- (d) the list of new air routes being brought under the UDAN scheme across the country; and**
- (e) whether it is true that India is now becoming market for production, repair and maintenance of aircraft and if so, the details of steps taken to make Bangalore the hub of production, repair and maintenance of commercial aircraft?**

ANSWER

Minister of State in the Ministry of CIVIL AVIATION
(Shri Murlidhar Mohol)

(a) to (c) Airfares are not subject to regulation by the Government of India and airlines have the flexibility to determine their airfares based on their operational needs, while adhering to Rule 135 of the Aircraft Rules, 1937. The airfares are dynamic in nature and follow the principle of demand and supply. The airline fare system runs in multiple levels (buckets or Reservation Booking Designators) which are in line with practice being followed globally. The trends in airfare prices in India exhibit considerable seasonality, prevailing

fuel price, the capacity of the aircraft operating on the route, competition on the sector, season, holidays, festivals, long weekends, events (sports, fairs, contests) etc. Besides this, the pricing of airfares is significantly influenced by operational constraints at airports. Routes experiencing high tourist demand, are subject to limitations imposed by terrain, weather conditions, and restricted operating hours. The combination of constrained capacity and elevated demand leads to fluctuations in airfares.

Government is playing the role of a facilitator by way of creating enabling environment to support the growth of the sector. Directorate General of Civil Aviation (DGCA) has setup a Tariff Monitoring Unit (TMU) that monitors airfares on select domestic sectors on random basis by using airlines' websites on monthly basis to ensure that the airlines do not charge airfares outside the range declared by them.

Article 279 A (5) of the Constitution prescribes that the Goods and Services Tax (GST) Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel (ATF). As per section 9(2) of the Central Goods and Services Tax (CGST) Act, inclusion of these products in GST will require recommendation of the GST Council. So far, the GST Council, in which the states are also represented, has not made any recommendation for inclusion of ATF under GST.

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(d) Regional Connectivity Scheme (RCS) - UDAN (Ude Desh ka Aam Nagrik) is a market driven scheme. Interested airlines, based on their assessment of demand on particular routes, submit their proposals at the time of bidding under the Scheme.;

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(e) The Government has taken several steps to facilitate setting up of aircraft Maintenance, Repair and Overhaul (MRO) services in India through various policy, regulatory and other incentives which include:

- i. In a major boost to the domestic Maintenance, Repair and Overhaul (MRO) industry and thereby to the aviation sector, the Government has announced that a uniform rate of 5% IGST will apply to imports of parts, components, testing equipment, tools and tool-kits of aircraft, irrespective of their Harmonised System of Nomenclature (HSN) classification subject to specified conditions.**
- ii. As part of the announcements made in Union Budget 2024-25, the period for export of goods imported for repairs has been extended from six months to one year. Also, the time-limit for re-import of goods for repairs under warranty has been extended from three to five years.**
- iii. New MRO Guidelines announced on 1st September, 2021 inter alia abolish royalties and build in transparency and certainty in land allotments for MROs in AAI airports.**
- iv. GST on MRO has been reduced from 18% to 5% with full Input Tax Credit from 1st April, 2020.**
- v. Transactions sub-contracted by foreign original equipment manufacturers (OEMs)/ MRO to domestic MRO are treated as 'exports' with zero-rated GST from 1st April, 2020**
- vi. Exempted Customs Duty on tools and tool kits**
- vii. Simplified clearance processing of parts**
- viii. 100% Foreign Direct Investment permitted via automatic route for MRO**

As a result of above initiatives and active support of the Government, the following steps have been taken by the industry towards developing Kempegowda International Airport Bengaluru (KIAB) as an MRO base:

- i. In August 2024, Bangalore International Airport Limited (BIAL) has entered into an agreement with Air India Group to develop an MRO base and approximately 30+ acres of land have been leased to Air India for developing this facility.**
- ii. An Aircraft Maintenance Engineer Training Facility for Air India in the KIAB campus is to be developed in addition to an existing MRO owned by Indigo.**
