IN THE CHEAPEST MARKET FOR FLYING, AIRLINES TOLD TO CUT FARES

News / Airlines

The Indian government told the country's airlines to find ways to reduce "excessive" fares on some routes and said it is open to introducing price caps if their responses are inadequate.

Carriers will need to present plans to curb fares within a week, Junior Aviation Minister Mahesh Sharma said in New Delhi Tuesday after a meeting with **airline** executives. The government will consider regulating maximum ticket prices if it fails to reach a consensus with carriers, he said.

Advance fares of as low as 2 cents make air travel in India among **the cheapest** in the world, even as state taxes make jet fuel the costliest in the region. Charging relatively higher fares on last-minute bookings is one of the few ways carriers can aim to recoup their costs. Local airlines have lost a combined US$10 billion in the past six years.

"We know it is a free economy, but we have suggested to them that it is giving a bad name," Sharma told reporters after the meeting, referring to high fares on last-minute tickets. The government will exercise all options to ensure fares come down and "is determined to do so, but initially we will try to do that by mode of consensus," he said.

"On most routes, fares are reasonable," Civil Aviation Minister Ashok Gajapathi Raju told reporters after the meeting. The government would prefer to resolve the issue of "excessive" fares without introducing caps or other regulations, he said.

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The price of jet fuel in Delhi has fallen by about half from a year, giving carriers greater flexibility on fares. Jet fuel accounts for as much as 60 percent of airlines' costs.

"I don't think the government should set policies in place, it should not be regulatory in nature," Mittu Chandilya, chief executive of the local unit of AirAsia Bhd., said after the meeting. "They want us to self-regulate, but they will look at all options."

Only two carriers made money last year, according to the Sydney-based CAPA Centre for Aviation. India is the cheapest country to fly, where passengers pay about US$10.36 to fly every 100 kilometers (62 miles), while those in Finland pay US$138.90, according to a study by GoEuro.com.

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