

THE ECONOMIC TIMES

Fare war goes on at jet speed

Mithun Roy

MUMBAI

AFTER a lull of four years, there is war in the sky again. The domestic airline companies have started offering cheap airfares, which are comparable with the 2005 levels. The drop in airfares is almost across the routes in the country. For example, a Jet Airways (the country's largest private carrier) Delhi-Mumbai ticket now costs Rs 2,900 compared to Rs 5,350 earlier.

Jet Airways subsidiary, JetLite, is offering a Mumbai-Delhi ticket for Rs 1,650, all inclusive, against the earlier price of Rs 2,845. Budget carriers—GoAir and IndiGo—are offering fares in the range of Rs 2,175 to Rs 2,700, including taxes, for the Mumbai-Delhi sector.

Industry experts said the move could be explained by a steep fall in the prices of aviation turbine fuel (ATF), which accounts for more than 45% of an airline's costs. ATF prices have fallen by about 60% to Rs 30,457 per kilolitre in the past five months. They are now quoting around the July 2005 levels.

However, they are not certain whether the drastic cut in airfares would be able to prop up the balance sheet of the sagging airline industry, which is likely to post a combined loss of \$2 billion for fiscal 2009.

KPMG senior advisor Mark Martin told ET: "Airlines need to stimulate the market as load factors are falling since

August despite reduction in fares. Aggressive pricing is a gamble and it may hurt them in the long run." Industry experts believe that reduced prices may not generate enough additional traffic and revenues for airlines in the current economic scenario. An executive of a domestic carrier, who did not wish to be named, said the move is aimed at scaling up load factor which has come down due to the economic gloom. Load factor has been hovering around 45-60%.

National carrier Air India has reduced fares, but is still to

compete with other airlines. It has reduced basic fares by 82% and is expected to slash it by another 40% in February. Post the reduction, the basic fare on the Delhi-Mumbai route has come down to Rs 1,675 from Rs 3,300—a massive 49% drop. Even Kingfisher Airlines has slashed basic fares by 21% to 65% on various routes from January, but is still costly compared to its peers.

Foreign carriers are also following their domestic rivals. For example, Singapore Airlines has slashed economy fares by a whopping 52% to Singapore and other South-East Asian destinations from India.

London-based British Airways and German carrier Lufthansa reduced fuel surcharges by more than 30% from India to London flights. Emirates is offering return fares of Rs 20,990 and Rs 39,990 for London and New York from India, respectively.

mithun.roy@timesgroup.com

FUELLING SKY RIDE

Jet Airways Delhi-Mumbai ticket now costs Rs 2,900. JetLite is offering a Mumbai-Delhi ticket for Rs 1,650, all inclusive. GoAir and IndiGo are offering fares in the range of Rs 2,175 to Rs 2,700, including taxes.