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GOLD (MCX) (Rs/10g.)

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USD/INR

62.4 ▼ -0.12



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IndiGo to set up regional airline to tap small towns

Anindya Upadhyay, ET Bureau Feb 13, 2013, 05.00AM IST

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NEW DELHI: IndiGo, the country's largest airline by market share is understood to be planning to set up a regional airline for connecting small towns using 70-80 seater ATR aircraft, a source in the know of the plan told ET.

According to the source, IndiGo promoter Rahul Bhatia met officials in the civil aviation ministry recently and discussed a plan to set up a subsidiary only to operate on regional routes.



(IndiGo, the country's largest...)

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"In the backdrop of the government planning to allow airlines a bigger choice to service remote areas where they are comfortable with operating as opposed to forcing them to go to certain areas, IndiGo plans to start a regional carrier with 18-20 ATR aircraft to begin with," the source told ET, requesting anonymity. When asked about the development, IndiGo President Aditya Ghosh termed it as "false".

Civil Aviation Minister [Ajit Singh](#) has long been talking of enhancing regional connectivity in India by "nudging" airlines to buy smaller aircraft, compatible for landing on a shorter runway. In that sense, analysts read IndiGo's move as following budget carrier SpiceJet's model of providing regional connectivity using Bombardier Q400 aircraft.

"IndiGo planning a regional airline, following the [SpiceJet](#) model, makes sense given the strong long-term demand outlook for tier II and III towns. Maybe, Jet-Etihad deal is forcing other airlines to prepare pre-emptive strategies to retain market share," said Manish Chheda, MD, Auctus Advisors, an infrastructure consultancy firm.

Through aggressive capacity addition last year, IndiGo wrested market share from [Jet Airways](#), surpassing it as the largest airline by number of passengers.

The news about IndiGo's regional plan comes at a time when it is already in a spat with the aviation minister for allowing it to import only five instead of 16 aircraft. Meanwhile, the latest meeting of the aircraft acquisition committee, which took place Monday, has reiterated its recommendation of allowing IndiGo to import four more, but the final approval needs to come from the minister.

"The current embroglio with the aviation ministry over the import of aircraft could have expedited this decision. The minister had made it quite clear that they would like to first assess what type of aircraft would be inducted by IndiGo and whether they would be able to fly to the smaller airports as envisaged in the governments policy of increasing connectivity to these towns and cities," independent aviation expert Rajan Mehra said.

Although technically the government has liberalised the policy on connecting remote areas, this is their way of arm-twisting the airlines into falling in line, Mehra said.

SpiceJet

BSE

21.90 ▼

-1.57 % -0.35

Vol: 4752 shares traded

NSE

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