

NEWSALERT

FDI by foreign airlines may be allowed soon



In an encouraging step for domestic civil aviation sector, a group of key ministers on 17th January, 2012 took a policy decision to allow foreign airlines to invest up to 49% in domestic carriers. The proposal for Foreign Direct Investment (FDI) up to 49% will now be sent to the Cabinet for its approval and if Cabinet approves the same, it will open the doors for foreign airlines to infuse equity in the domestic carriers. At present, the extant Foreign Direct Investment Policy (FDI Policy) of India permits the foreign companies, other than the foreign airlines, to invest in the equity of domestic airlines/carriers. Accordingly, in terms of FDI Policy no foreign airline is allowed to participate, directly or indirectly, in the equity of a domestic carrier, which is operating scheduled and non-scheduled air transport services.

FDI by foreign airlines is a much needed recourse for domestic carriers, which are currently reeling under acute financial pressure. Participation in equity of domestic carriers by the foreign airlines would not only solve the problem of shortage of funds, but may also help the investee companies to sort out operational issues and compete with the international carriers. It seems that the Government has responded to the situation of financial crisis, which many of the domestic carriers are in. At this stage one would expect the Government to expedite the process of formally notifying the FDI by foreign airlines in the domestic carriers.

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