Malaysian long-haul budget carrier AirAsia X announced plans to scrap unprofitable routes to Europe and India as it prepares for a planned flotation, citing weak demand and a row over European Union emissions charges.

The decision to scale back will affect flights to Mumbai from January, while services to New Delhi, London and Paris will cease in March.

AirAsia X said customers who hold bookings after these dates would be offered an alternative travel option at no additional cost.

"AirAsia X will concentrate capacity in our core markets of Australasia, China, Taiwan, Japan and Korea," the carrier said.

Writing on Twitter, Chief Executive Azran Osman-Rani blamed the decision on a "weak European economy/reduced demand, continued high fuel prices and high airport and government taxes including 1 Jan 2012 carbon tax".

The airline is one of the first to cut routes after the European Union imposed a system of trading carbon emissions on airlines from the start of the year, drawing protests from China and the United States and fueling talk of a carbon trade war.

But the airline has also acknowledged problems in making money on those routes as the European economic crisis affects consumer spending, while in India it complains of high airport costs and a restrictive visa system hindering tourism.

India is meanwhile drawing up plans to allow foreign airlines to invest in its hard-pressed airline sector, a prospect which drove up shares in several airlines on Wednesday.

"We will refocus on core markets where we have sufficient scale, more benign fees, and are profitable. Will announce new routes soon," the executive said.

The changes end weeks of speculation over the future of the routes and a debate over the viability of the low-cost airline model, which transformed the choices available for short and medium trips, on long distances served by big network carriers.

The decision is also the latest sign of steadily growing pressure on airlines stemming from Europe's debt crisis.

French flag carrier Air France-KLM (AIRF.PA), which serves Malaysia from its Amsterdam hub, was due to announce the first step in a two-part restructuring plan later on Thursday, with the prospect of savings pushing its shares up almost 6 percent.

AirAsia X was founded by Malaysian tycoon Tony Fernandes who also runs AirAsia Bhd (AIRA.KL), one of the world's largest short-haul low-cost carriers, which is run as a separate entity.

The long-haul unit is looking to boost profitability ahead of its own share listing tentatively planned for this year.

Analysts expect the route changes to be positive for flag carrier Malaysian Airline System (MASM.KL), which buried the hatchet and agreed a tie-up with rival AirAsia last year.

The withdrawal from London and Paris also means AirAsia X will compete more directly with Singapore Airlines' (SIAL.SI) new long-haul subsidiary Scoot, which will kick off its maiden flight to Sydney in the first half of 2012.

Fernandes said through his Twitter account that AirAsia would continue to fly to India.

AirAsia X plans to fly to Jeddah and add more flights to Korea, Japan, Australia and China, he said.

Source :in.reuters.com