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## Mains Practice Questions

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Q. Civil aviation is the fastest growing sector in India, but faces many challenges on different fronts. In this context, discuss the scope of, and challenges faced by civil aviation sector in India. (250 words)

19 Apr, 2019 GS Paper 3 Economy

### Approach

- In introduction elaborate 1st statement with relevant facts and data.
- In body discuss the challenges faced by civil aviation sector, discuss scope of civil aviation sector in India and suggest ways to improve it.
- In conclusion show its importance while comparing it with other sector.

### Answer

#### Introduction:

- The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world.
- According to the Directorate General of Civil Aviation, India's air passenger traffic has grown by at least 16% annually over the past decade. Airbus forecasted that domestic traffic will grow five and a half times over the next two decades.

#### Body

##### Scope of Indian aviation sector:

- **Robust demand:** Rise in middle class demography will affect the demand positively. India is expected to become 3rd largest aviation market in terms of passengers by 2024
- **Opportunities for employment:** Expenditure in maintenance, repair and overhaul sector accounts for 13-15%, it is second highest expense after fuel cost. By 2020, this sector is likely to grow over to \$1.5 billion, thus creating many employment opportunities.
- **Policy support:** Foreign support up to 49% is allowed under automatic route in Scheduled air transport service and domestic schedule passenger airline.
- **Increasing investment:** Aviation sector is likely to witness US\$15.52 billion worth of investment in the next five years.

##### Challenges faced by aviation sector

- The rupee's depreciation is hitting carriers hard. About 25-30% of their costs, excluding fuel, are dollar denominated—from aircraft lease rents and maintenance costs to ground handling and parking charges abroad.

- Cost of aviation turbine fuel (ATF) , is very high in India. Centre govt charges 14% excise duty on ATF, whereas state govt levy their own sales tax that can go as high as 29%.Consequently , ATF charges, vulnerable to currency movements, comprise a large chunk of Indian airlines' operating expenses—some 40% compared to 20% for foreign carriers.
- Due to price sensitivity of Indian customer and the intense competition in Indian market, carrier find it hard to raise air-fares.

**Conclusion:**

India's aviation industry has a huge potential and offers huge growth opportunities. Like telecom and financial services, aviation has been a stand-out sector after liberalisation. There is much at stake in ensuring the health and competitive spirit of this industry given that it can be an economic force multiplier with a clear knock-on impact in terms of creating jobs.