



Mains Practice Question

Q. The aviation sector has seen steady growth in the last few years, however it continues to face multiple challenges. Comment. (150 words)

10 Jun, 2022 GS Paper 3 Economy

Approach

- Highlight the growth of aviation sector in recent years
- Mention the various problems affecting the aviation sector
- Conclude with the need for reforms in the aviation sector in the context of rising economic growth

Introduction

The civil aviation industry in India has emerged as one of the fastest-growing industries in India. It has undergone a huge transformation following the liberalization of the aviation industry in India. According to the Directorate General of Civil Aviation, India's air passenger traffic has grown from 14 million in 2000-01 to 140 million in 2017. Despite such meteoric rise, airlines in India are still finding it difficult to sustain operations due to various structural issues.

Body

Problems afflicting the aviation sector in India:

- **Policy paralysis:** The successive governments did not come up with a long-term vision for the airline industry. The airline industry has been left to fend for itself and serve the elite class in select metros.
- **High Taxes:** High Taxes on aviation turbine fuel and Maintenance, repair and overhaul (MRO).
- **Rupee depreciation:** Since airlines pay in dollar terms for service utility, rupee depreciation, and exchange rate fluctuations reduce their profitability.
- **Price-sensitive market:** India is a price-sensitive market where competing airlines find it difficult to hike ticket prices.
- **The sustainability of the Udan scheme:** UDAN has spurred a host of regional airlines to come up and existing operators to enter regional flying. The Udan scheme is funded by a levy on passengers flying metro routes. The funds collected are then used to subsidize Udan routes. Recent indications are that if all Udan routes that have been bid are flown, there is likely to be a funding deficit.
- The Centre allows 100% FDI in airlines but has capped it at 49% if a foreign carrier wants to invest in an Indian firm. Aviation is a highly capital-intensive business and FDI curbs prevent it from acquiring new technology and best practices.
- Archaic rules like the Route Dispersal Guidelines (RDG) that mandate airlines to fly a certain percentage of flights in smaller, unprofitable air routes drive up costs and introduces inefficiencies.

Conclusion

As India positions itself to lead and play a dominant role globally, its aviation sector cannot be overlooked. Especially as this sector acts as a growth multiplier including economic output, jobs, and trade – all

enabled via better connectivity. But for this growth to materialize sustainably, policy interventions are necessary, the **National Civil Aviation Policy, 2016 was a right step in this direction but the aviation sector needs more reforms in existing rules** for addressing the prevalent issues.

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