



Mains Practice Question

Q. Discuss the challenges and opportunities in India's domestic civil aviation sector by highlighting the policy interventions like UDAN, Nabh Nirman etc. (250 words)

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Approach

- Introduce by mentioning about the rising civil aviation sector in India.
- Mention the opportunities and challenges faced by the sector.
- Conclude by mentioning the importance of aviation sector and the need to provide policy support to the sector.

Introduction

- 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.
- Policy interventions like UDAN ("Ude Desh Ka Aam Naagrik") have given impetus to revive the un-served and under-served airports and revitalizing regional air connectivity in India.

Body

The fast growing civil aviation market has huge potential to contribute in India's growth story.

Opportunities for Indian domestic aviation sector

- **Regional development:** Schemes like UDAN could lead to the development of smaller cities as faster air connectivity will boost infrastructure & attract investment. Also, policy support for low-price air tickets will help meet aspirations of the rising middle class.
- **Multiplier effect on economy:** New airports like Jewar Airport in Uttar Pradesh are being built under the NABH Nirman initiative based on (1) fair and equitable land acquisition, (2) long-term master plan for airport and regional development and (3) balanced economics for all stakeholders. This leads to growth in housing and real estate sector, construction, building materials, tourism, etc.
- **Opportunities for employment:** Expenditure in maintenance, repair and overhaul sector accounts for 13-15%, which is the second highest expense after fuel cost. By 2020, this sector is likely to grow over to \$1.5 billion, thus creating many employment opportunities.
- **Increasing investment:** With 100% FDI allowed under automatic route, aviation sector is likely to witness US\$15 billion worth of investment in the next five years.

Challenges faced by aviation sector

- **Poor infrastructure** in tier-II and tier-III cities like road connectivity, transport facilities to reach the airport, difficult terrains, and frequent cancellation of flights makes it difficult to build traffic on the route on a sustained basis.

- **Cost of aviation turbine fuel (ATF)** is very high in India. High taxes and being vulnerable to currency movements makes it a large chunk of Indian airlines' operating expenses— around 40% compared to 20% for foreign carriers.
- **Capacity**- India's metro airports have already run out of capacity in terms of landing and parking slots. Also, there is not much capacity augmentation due to addition of UDAN routes.

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 liberalization. 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.

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