



## India's Aviation Sector

**For Prelims:** [Regional Connectivity Scheme-UDAN](#), [Open Sky Agreement](#), [Goods and Services Tax \(GST\)](#), [Carbon Neutrality](#), [Digi Yatra](#)

**For Mains:** Transformation of India's aviation sector, Government Policies & Interventions

**Source:** IE

### Why in News?

After ruling the Indian skies, IndiGo is now attempting to make a mark globally with non-stop, **long-haul, and low-cost flights** from Indian airports.

- However, the long-haul, low-cost airline model has been a challenge for many airlines, with numerous failures and few relatively stable and profitable operations.

### What is the Long-haul, Low-cost Air Travel Model?

#### ▪ About:

- The long-haul, low-cost air travel model is an attempt by **low-cost carriers (LCCs)** to expand their operations **beyond short-haul domestic and regional routes** and offer non-stop, long-duration flights at lower fares.
  - This model aims to replicate the success of LCCs in the short-haul segment by applying similar cost-cutting strategies and business practices to long-haul operations.

#### ▪ Challenges:

- **Higher fuel costs for operating larger, wide-body aircraft** on long-haul routes.
  - Increased operating costs for wider aircraft, such as more crew, maintenance, and airport fees.
- Difficulty in maintaining the rapid turnaround times and high aircraft utilisation levels that are critical to the LCC business model.
- Balancing the need for passenger comfort and amenities on long flights with the low-cost carrier's focus on minimising costs.
- Establishing a **viable network** and flight schedule that can sustain demand and profitability on long-haul, low-density routes.
- Competition from established full-service carriers with stronger brand recognition and loyalty on long-haul international routes.

#### ▪ Successful Examples:

- A few long-haul LCCs like Scoot, Jetstar, and French Bee have managed to establish relatively stable and profitable operations.
- Key strategies include offering a **hybrid product with some premium/business class amenities**, targeting underserved routes, and leveraging strong domestic/regional networks.

## What is the Progress of India's Aviation Sector?

### ▪ **India's Aviation Boom:**

- India has emerged as the **third-largest domestic aviation market in the world**, after the USA and China.
  - The industry has undergone a remarkable transformation, shedding its previous limitations and evolving into a vibrant and competitive sector.
- Proactive policies and strategic initiatives by the government have catalysed the growth of the aviation sector, fostering a conducive environment for expansion and innovation.

### ▪ **Infrastructure Development:**

- India's airport network has witnessed a remarkable transformation, doubling its operational airports from **74 in 2014 to 148 in April 2023**, facilitating increased air travel accessibility.

#### • **Regional Connectivity Scheme-UDAN:**

- The **Regional Connectivity Scheme-Ude Desh ka Aam Nagrik (RCS-UDAN)** was launched in 2016 to provide connectivity to unserved and underserved airports in the country.
- The scheme aims **to revive existing airstrips and airports**, bringing essential air travel access to isolated communities and boosting regional economic development.
- With **517 RCS routes operational, connecting 76 airports, UDAN has facilitated air travel for over 1.30 crore people**, promoting accessibility and economic growth

### ▪ **Passenger Growth:**

- The aviation industry is experiencing a remarkable resurgence **post-Covid**, with a surge in passenger demand.
  - From January to September 2023, domestic airlines carried 112.86 million passengers, a **29.10% increase compared to the same period in 2022**.
  - International airlines carried 45.99 million passengers between January and September 2023, a **39.61% increase compared to the same period in 2022**.

### ▪ **Carbon Neutrality:**

- The **Ministry of Civil Aviation (MoCA)** has taken initiatives to work towards carbon neutrality and achieving **net zero carbon emissions** at airports in the country.
  - Airport operators have been advised to **map carbon emissions** and work towards **carbon neutrality** and net zero emissions in a phased manner.
- **Greenfield airports** are being encouraged to prioritise carbon neutrality and net zero emissions in their development plans.
  - Airports like Delhi, Mumbai, Hyderabad, and Bengaluru have achieved **Level 4+ ACI Accreditation and become carbon neutral**.
  - 66 Indian Airports are operating on 100% Green Energy.

## What are the Challenges Facing India's Aviation Industry?

### ▪ **High Fuel Costs:**

- Aircraft Turbine Fuel (ATF) expenses can represent **50-70% of an airline's operational costs** and import taxes add to the financial burden.

### ▪ **Dollar Dependency:**

- Fluctuations in the **dollar rate impact profits as major expenses** like aircraft acquisition and maintenance are dollar-denominated.

### ▪ **Cutthroat Pricing:**

- Airlines often engage in aggressive price competition to attract passengers, leading to thin profit margins amidst high operational costs.

### ▪ **Limited Competition:**

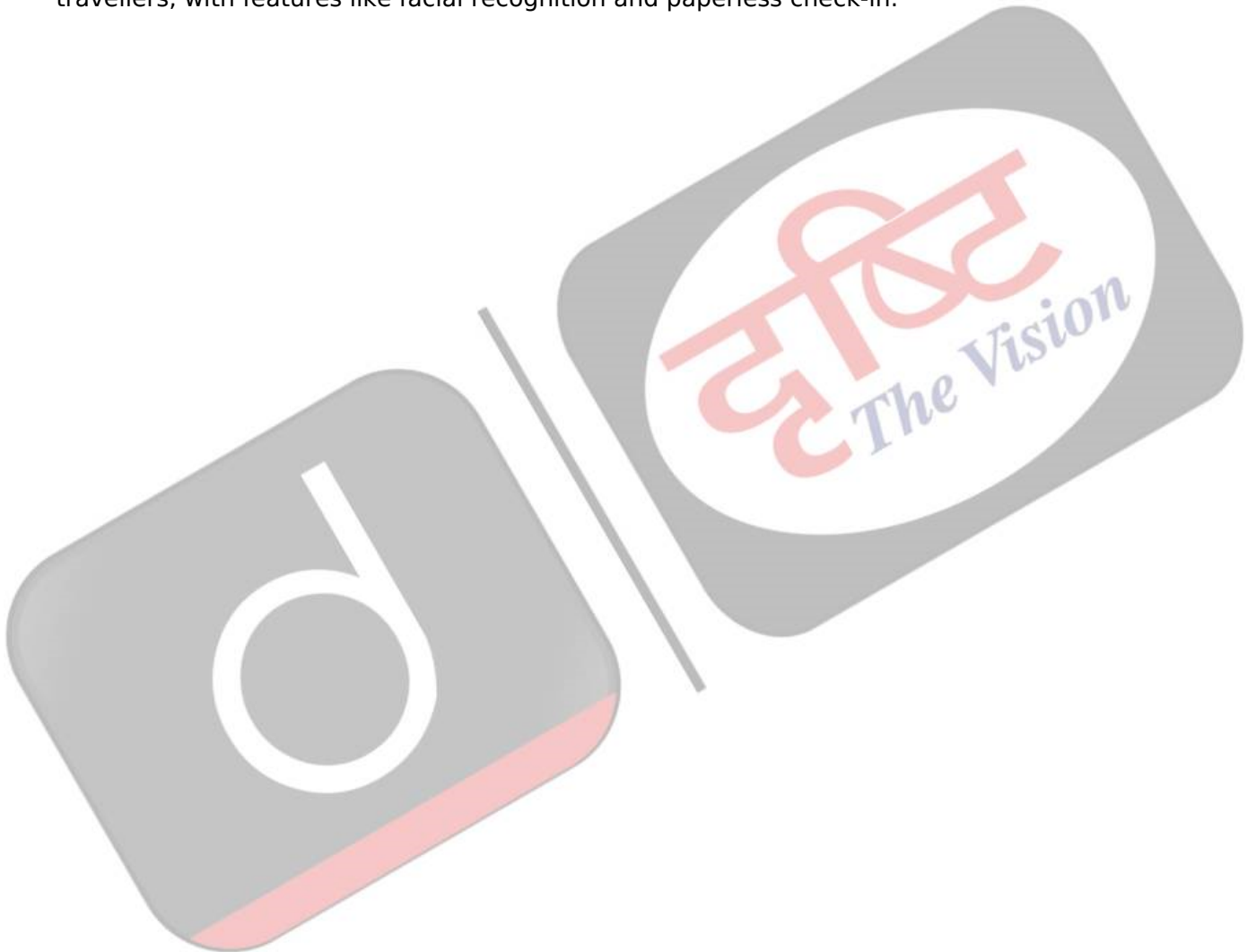
- Currently, IndiGo and a resurgent Air India hold the majority share, possibly nearing 70% combined. This concentration of power can lead to:
  - **Limited Competition:** With fewer major players, there's a risk of reduced competition on routes, potentially leading to higher fares for consumers.
  - **Pricing Power:** The dominant airlines may have more leverage to influence ticket prices, especially if they coordinate strategies.

- **Grounded Fleet:**
  - A large portion (over a quarter) of Indian aeroplanes are grounded due to safety concerns and financial issues, hindering capacity.
- **Environmental Concerns:**
  - Pressure to reduce carbon emissions and adopt sustainable practices can add complexity to growth strategies.

## India's Initiatives Related to Aviation Industry

- [UDAN Scheme \(Ude Desh ka Aam Nagrik\)](#).
- [National Civil Aviation Policy, 2016](#)
- [Goods and Services Tax \(GST\)](#) rate reduced to 5% from 18% for domestic Maintenance, Repair and Overhaul (MRO) services.
- [Open Sky Agreement](#)
- [Digi Yatra for Seamless Travel](#): This digital platform facilitates a contactless experience for air travellers, with features like facial recognition and paperless check-in.

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# UDAN SCHEME

Ude    Desh    Ka    Aam    Naagrik



## FEATURES:

- Connecting Small and Medium cities with big cities through air service
- Providing affordable, economically viable, and profitable air travel
- Extending financial incentives to selected airlines to encourage operations from unserved and under-served airports.

## ABOUT:

- A Regional Connectivity Scheme (RCS)
- Launched in October 2016 and operational for a period of 10 years
- Formulated in Pursuance of the National Civil Aviation Policy (NCAP)-2016
- Udan 5.0 is the latest project.

## BENEFITS:

- Democratisation of the Aviation Sector
- Employment Generation
- Boost to Tourism Sector
- Connecting smaller airports, special helicopters and sea plane routes.

• **Lifeline UDAN:**  
Air transport of medical cargo and essential supplies across India at the time of the Covid-19.

• **Krishi UDAN:**  
To assist farmers in transporting agricultural products

• **International UDAN:**  
To connect India's smaller cities directly to some key foreign destinations.



## Way Forward

- **Diversification of Fuel Sources:** Emulate initiatives to incorporate biofuels into the fuel mix, reducing dependence on traditional ATF and mitigating the impact of import taxes.
  - Implement **fuel hedging strategies** to manage the volatility of fuel prices, a practice used by many international airlines.
- **Ancillary Revenue Streams:** Develop ancillary revenue streams such as cargo services, in-flight sales, and premium services to bolster profits.
- **Competitive Pricing Strategies:** Utilise advanced yield management systems to optimise pricing and maintain profitability without engaging in detrimental price wars.
  - Strengthen customer loyalty programs to encourage repeat business and reduce the need for aggressive pricing tactics.
- **Regulatory Reforms:** Advocate for regulatory reforms that encourage new entrants and prevent monopolistic practices in the industry.
- **Route Rationalisation:** Encourage airlines to explore under-served routes, thereby increasing competition and offering more choices to consumers.
  - Consider **aircraft leasing options to maintain operational flexibility** and reduce financial burdens associated with owning a fleet.
- **Carbon Offset Programs:** Implement carbon offset programs like the [ICAO Carbon Emissions Calculator \(ICEC\)](#) to measure and mitigate the environmental impact.

### Drishti Mains Question:

Q. Evaluate the progress of India's aviation sector, considering factors such as infrastructure development, passenger growth, and the impact of government policies.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Mains

Q. Examine the development of Airports in India through joint ventures under Public-Private Partnership (PPP) model. What are the challenges faced by the authorities in this regard? **(2017)**