

Indian Airlines

Indian Airline is going to become third largest airline of the world by 2026 stated IATA, but series of failures like of Jet Airways, SpiceJet, Air India points that its in brink of bankruptcy and thus it needs a policy revisit.

Indian airline carry 160mn people per annum, and provide 8mn jobs directly contributing \$30bn in GDP. But in recent years several issues have engulfed it such as

(i) Policy underperformed - National Civil Aviation Policy (NCAP 2016) and UDAN scheme have issues like :-

- Price capping goes against free economics
- Budgetary constraint and delays in subsidy disbursement make them unsustainable.
- Addressing supply side only and no due consideration to demand side.
- Half hearted freedom in regional routes
- Failure of Sikkim Airport which was built without environmental research.
- VGF is only for 3 year after which it is assumed that Airway will stabilise

- (i) rupee depreciation - since 30% of their cost is denom rated in \$, fall in rupee and lease, maintenance cost abroad hurt them.
- (ii) Aviation Turbine Fuel (ATF) - is out of GST, and multiple cess, tax etc increased its price.
- (iii) competition - They are unable to raise ticket price due to intense competition.
- (iv) open sky policy - is on halt due to regional issues in SAARC, like with Pakistan which banned its Air way to india.

But since disposable income is on rise and connectivity is improving, Air way policy can be addressed through :-

- i) UDAN scheme - making more budgetary provision and taking certain route under priority sector lending and CSE regime.
→ making people aware of the scheme, incentivise them on their 1st flight etc.
- (ii) ATF should be brought under GST.
- (iii) Quick insolvency - of loss making Air companies so as to achieve economic value.
- (iv) Infrastructural support through privatisation of Airport and special attention to North east Region.