

8. With more airlines at brink of bankruptcy Government of India has to revisit the aviation flag scheme. Analyse.

On 2016, Government of India under its first Civil Aviation Policy launched flagship regional connectivity scheme "UDAN" (Ude Desh Ka Aam Nagrik) to incentivise airlines to fly aircrafts to unserved and under-served airports. Goal was to connect all parts of India.

Intent but no impact:-

Today the ~~airlines~~ ~~has~~ Scheme has not achieved its desired purpose. As a result several airlines are at brink of bankruptcy.

→ Scheme requires airlines to fly to unserved airports at reduced charges and are given Cash subsidies for portion of seats.

The estimated budget for UDAN was around Rs 1900 crores. But what was allocated was only around 450 crores for FY 2021. There is a shortage of funds to subsidise the airlines.

→ The Scheme is a supply side initiative but in many regions there is lack of

Passenger demand except in Core routes
Demand was only around 40-50%.

With low demand and funds, The
Service providers are severely affected.

Regional airlines like Star
Air & True Jet That operate 60-90%
flights under UDAN depend on
Subsidies for revenue

With lack of Government support
They now face bankruptcy

Need to Revisit:-

→ Need to Address 'Structural
Challenges'. only 25% of the 200
routes have been allotted to operators
& There are many ghost airports.
Proper budget support required to
expand the - coverage.

→ Inability to take on airport
monopolies. The intent of the scheme
was to connect North East with rest
of India & other unserved areas.
Airlines have strategically used the
scheme to gain monopoly status on
routes & lowered operational costs.

→ Change Scheme need to be
changed from Supply Side initiative to
Demand Side initiative. Need to
focus on regions with very high demand
It will help Government to reduce its
subsidy burden and also provide
airlines good returns thus encouraging

building their trust to expand the scheme
to other areas

Thus, Though UDAN was good
policy it was not good economics. In order
to create impact Government need to revisit
the scheme.