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Indian Aviation Sector: The Parallel Rise & Fall

Aishani Singh, Shounak Sengupta

Abstract- This paper explores profuse reports, statistics, and published papers concerned with the Indian aviation sector from pre-1991 era to the current scenario. With a brief history on the pre-1991 operations in the sector and its players, a detailed outlook on the policy changes of 1991 along the lines of liberalization, open sky policy, green field airport, and FDI is provided. The paper's cynosure lies on the growth of the aviation sector post-1991 and comparing it with the current failing state of the sector, which is paradoxical. The concurrent rise in demand and fall in supply of the aviation sector is attributed to high taxation on fuel, poor infrastructure, cut-throat competition, a 49% cap on FDI, political interference, incomplete disinvestment, and red tapism. These factors are scrutinized taking examples of Jet Airways, Air India, IndiGo and more, with an aim to provide the reader an insight on where the industry has gone wrong since the post-1991 phase.

Keywords- Indian aviation, liberalization, failing state, Jet Airways, IndiGo, Air India

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INDIAN AVIATION SECTOR: THE PARALLEL RISE & FALL

The Indian Aviation Sector has been subjected to major reforms and policy changes since its beginning in 1911. Henry Piquet, a French pilot, flew the first commercial flight- that too the world's first airmail service, in India from Allahabad to Naini on the occasion of the Kumbh Mela. The first international flight soon followed in December 1912, over the route of London-Karachi-Delhi as a result of collaboration between the Indian state air services and UK based imperial airways. The Indian aviation sector further saw continuous growth in terms of operations and players in the market, the important landmarks pictured *(left).*

1920	• Regular airmail services started by Royal airforce between Karachi & Bombay.
1924	• Construction of airports started in Calcutta, Allahabad, and Bombay.
1927	• Department of Civil Aviation and Aero Club of India were set up.
1929	• JRD Tata became the first person to be awarded with a pilot license by Aeronautique International.
1932	• Urmila K. Paridh became the first Indian woman to get a pilot's license.
1933-1934	• Indian Trans Continental Airways, Madras Air Taxi Services, Indian National Airways etc. commenced.
1937	• Indian Aircraft Act was formulated.
1940	• Hindustan Aeronautics Limited was set up.
1946	• Deccan Airways began its first flight, Tata Airlines changed its name to Air India.

The year of 1953 brought an important reform to the aviation sector. In the month of March of the year, the Indian Parliament passed the Air Corporations Act. The year 1952 had seen a general deterioration of airline conditions worldwide. In order to rescue the airline sector of the country, the Planning Commission of India recommended a merger. This law allowed the Government to gain control over Air India, and also nationalized the entire sector. The eight formerly independent domestic airlines: Deccan Airways, Bharat Airways, Kalinga Air Lines, Indian National Airways, Air India, Air Services of India, Himalayan Aviation, Airways India were merged into either Indian Airlines Corporation or Air India International.
Operations were not extremely smooth and efficient as it was a difficult task to fit in eight varieties of separate managerial and supervisory staff into a unified arrangement. The difference in scales of pay and service conditions proved to be a challenge to change into a single and uniform system. The monopoly spanned over the next 40 years, until the 1991 reforms that opened up the aviation sector to private participation.

ECONOMIC REFORMS OF 1991 IN THE AVIATION SECTOR

When India took steps towards liberalization, privatization, and globalization of its economy in 1991, like other sectors in the market, aviation sector saw a major reform in its structural and operational context. The sector wasn't a monopoly anymore and became a breeding ground of growth and development for all the players that were already existing or entering into the market. The major reforms that redesigned the aviation sector were-

1. ***Liberalization-*** The monopolistic Air Corporation Act was repealed in the year 1994. Heavy disinvestment followed in the two public sector airlines- Indian Airlines Corporation and Air India International, leading to the opening up of the domestic sector. Private players could now enter the market with ease and without the presence of extreme red tapism in the industry. Although opening up the market led to a loss of market share and increased competition for the home carriers; this was negated by high traffic growth. Reduced fares also meant that the airline services that were once seen as exclusive to the elites had now tapped into the biggest market in the country- the middle class, the common man.
2. ***Open Sky Policy-*** The Open Sky Policy brought in a massive change in the aviation sector. It allowed foreign airlines of any country or ownership to land at any port on any number of occasions and with unlimited seat capacity. Jet Airways and Sahara Airlines were the first private airlines to begin their services after the Government opened the skies to private players. Passengers were treated to a much better and organized service with well-groomed crews, better seats, easy options of ticketing and a good overall feel of being in an aircraft. People started flocking to these airlines like never before. But still the monopoly of the two – Air India and Indian Airlines remained on the international sector. They also had slightly cheaper rates than both the private players. In between, a lot of other lines like ModiLuft, East West Airlines, and Vayudoot which had set up shop due to the expected boom in air travel had to close down due to reasons ranging from the death of the head to total bankruptcy.
3. ***Foreign Direct Investment-*** Up to 49% of foreign equity & 100% of NRI investment was allowed pertaining to the domestic air transport services. The government allowed FDI subject to the conditions that foreign investments in Air India, including that of foreign airlines, shall not exceed 49 per cent either directly or indirectly and substantial ownership and effective control of Air India shall continue to be vested in Indian National. As per the policy, foreign airlines were allowed to invest under the government approval route in the capital of Indian companies operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital. However, this provision was not applicable to Air India, thereby implying that foreign airlines could not invest in Air India. The government, therefore, decided to do away with this restriction.
4. ***Low Cost Carriers-*** In 2003, another revolution took place in the Indian aviation industry. Simplify Deccan – an airline started by Captain Gopinath gave birth to the idea of Low-Cost Carriers (LCC) or budget airlines. Since this model succeeded, Spice Jet, Indigo and Go Air began their operations on this model. People were lining up in hordes to travel on planes like never before.
5. ***Greenfield airports-*** A greenfield airport denotes a project that lacks constraints, imposed upon it by prior work or existing infrastructure. In 2007, the Indian government finalized the policy on greenfield airports. According to the new policy, state governments wanting to set up a greenfield airport could either do so themselves or through any designated entity or a joint venture company. A state government could consider granting land, real estate development right, airport connectivity and fiscal concessions to such an airport company. In case a private party was to be selected, it would be through competitive bidding.

POST 1991 GROWTH IN THE AVIATION SECTOR

The growth of airlines traffic in the Indian aviation industry is almost 4 times above the international average. In the year 1991, a total of 10,717,400 passengers were carried in Indian airlines. This number grew multifold to 139,822,450 in 2017. The reforms in the sector brought in large numbers of passengers that were excited to explore the skies that were once a luxury exclusive to the elites of the country. Competition between the national and private players resulted in economical fares, open sky policy brought in multitude of air routes, and the common man experienced a plethora of options to fly high. Some excerpts from an article published in 2016 on The Indian Express by Smita Nair shed light on this topic.

- *"We may take it for granted today. But I still recall the voice of the captain booming inside the cabin as he identified the aircraft as Boeing 737 from the 800 series," says Saraf. "I vividly recall watching another aircraft outside my window, an Indian Airlines A320. I wondered why is my flight of this make, and the flight outside of another. Today I know the registration number of every flight I have taken, including the built details of every aircraft."*
- *"For someone from the North East, there are only roads. Going up and down – life is all about getting a seat either in a day super or a night super, different definition for buses. " Airlines have made life better for Hussain and many others spread across the seven states in the North East.*
- *While Bindra finds train travels more "calm and relaxed" (it doesn't have the several levels of security checks and layers of engaging with the travel machinery), airlines provide the traveler a choice in convenience, especially for a businessman like him. And for Bindra- there is the attraction of leaving Mumbai early in the day, getting on to a flight to Amristar, praying at the Golden temple and still be back home for dinner. This was unheard of years ago," he says.*
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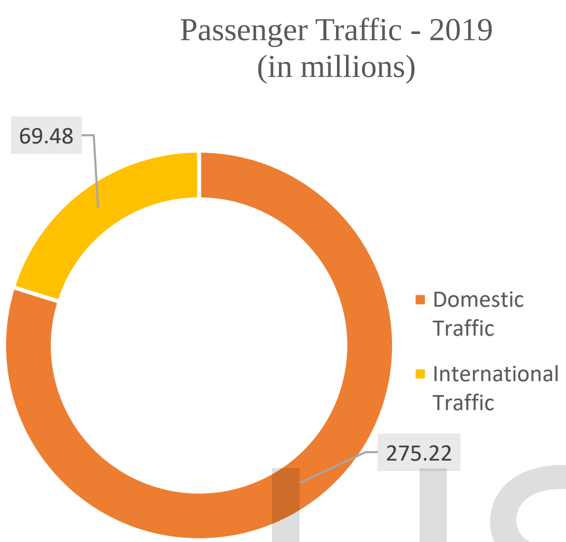
India is expected to become third largest aviation market in terms of passengers by 2024. New employment opportunities were introduced, and which continue to grow. Expenditure in MRO accounts for 13-15 per cent of total revenues. It is the second highest expense after fuel cost. By 2020, the MRO industry is likely to grow over Rs. 150 billion. Investments in the Indian airport infrastructure are projected at approximately Rs. 450 billion. India's passenger traffic grew at 16.52 per cent year on year to reach 308.75



million in 2018.

Key investments and developments in India's aviation industry include:

- AAI plans to develop Guwahati as an inter-regional hub and Agartala, Imphal and Dibrugarh as intra-regional hubs.
- In June 2018, India signed an open sky agreement with Australia allowing airlines on either side to offer unlimited seats to six Indian metro cities and various Australian cities.
- Indian aircraft Manufacture, Repair and Overhaul (MRO) service providers are exempted from customs and countervailing duties.

A few major initiatives undertaken by the government include:

- The Government of Andhra Pradesh plans to develop Greenfield airports in six cities-Nizamabad, Nellore, Kurnool, Ramagundam, Tadepalligudem and Kothagudem.
- In February 2018, the Prime Minister of India launched the construction of Navi Mumbai airport which is expected to be built at a cost of US$ 2.58 billion. The first phase of the airport will be completed by end of 2019.
- In November 2018, the Government of India approved a proposal to manage six AAI airports under public private partnership (PPP). These airports are situated in Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru. AAI received 32 technical bids from ten companies.
- In January 2019, the government organized the Global Aviation Summit in Mumbai which witnessed participation of over 1,200 delegates from 83 countries.
- In January 2019, the Government of India's released the National Air Cargo Policy Outline 2019 which envisages making Indian air cargo and logistics the most efficient, seamless and cost and time effective globally by the end of the next decade.
- In February 2019, the Government of India sanctioned the development of a new greenfield airport in Hirasar, Gujarat, with an estimated investment of Rs 1,405 crore (US$ 194.73 million).

THE FAILING STATE OF THE AVIATION SECTOR

Even though statistical figures depict tremendous growth of the Indian aviation sector, there is a parallel fall taking place in the industry simultaneously. A total of 12 airlines have shut shop in the last 21 years, the notable ones being Jet Airways and Kingfisher Airlines. The major factors that seem to contribute to this failure in the industry are as follows:

1. ***High taxation-*** The taxes on fuel are a whopping 60% higher than rest of the world. Indian government resorts to using these to cross subsidize kerosene and diesel, that are deemed huge loss makers for the government. These taxes constitute 40% of any airline's total expenditure in India, as compared to the global average of 32%.
2. ***Poor infrastructure-*** The air traffic is increasing and the space to accommodate them is decreasing simultaneously. There is lack of proper infrastructure to adapt to the ever-growing Indian airlines and consumers of the service. Delayed flights aren't a rare sight, and lead to huge amounts of fuel wastage. There is a huge need for capacity building so that busy routes may be fully utilized.
3. ***Low cost carriers-*** The low-cost model is not economically feasible for all airlines. The market is extremely price sensitive and the passengers do not think twice before booking tickets for the cheapest ticket they can find. The steep competition does not allow FSCs (full-service carriers) like Jet Airways and Kingfisher to earn apt revenue and continue their operations. Airlines that are not inherently LCCs like IndiGo Airlines have to choose between the devil and the deep sea- either operating on almost zero or even negative margins or shut shop due to the cut-throat competition. It is a double ended sword for these industry players.
4. ***Rigid regulations and interference –*** There is still a long way to go in terms of regulations and reforms to be made to the industry. Ample regulations and laws still hold back the industry and don't provide room for

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improvement and profits. There has been a steady political interference in the operations of Air India, to favor smaller players like Jet and Kingfisher. Politicians use Air India as a personal taxi-service. Similar intentions did not allow a Tata-Singapore Airlines venture to take birth in 1990s. Chennai-based Paramount Airways was asked to shut shop within a few days of missing on a payment to DGCA.

5. ***The Dollar to Rupee situation-*** The depreciating value of the Indian currency only makes matters worse. All aircrafts are leased from abroad and have to be paid for in dollars. Most aviation firms have a lot of staff from abroad, especially good pilots and top-level executives, who have to be paid in dollars. This proves to be a strain on the Indian airlines who earn in Rupee. This can be prevented to some extent through some good financial practices like hedging, but most companies don't have the required expertise.
6. ***Lack of buyers-*** Only a handful of airlines actually manage to find buyers when they run into huge losses. Trade and investment restrictions imposed by the government, and lack of help from the same in most of the life-or-death situations for airline companies turn away any potential buyers from picking up stake in a failing airline business in the country and bringing it back up on its own feet.

JET AIRWAYS - CASE STUDY

Jet Airways (India) Private Limited was a reputed private airline in India with an average fleet age of 4.45 years. Jet flew to 63 destinations spanning the length and breadth of India and beyond, including New York, Toronto, Brussels, London, Hong Kong, Jeddah, Abu Dhabi and Dubai. The Airline carried 1.28 million passengers out of 4.08 million passengers carried by the whole airlines industry. It enjoyed a reputation for punctuality and outstanding service and consequently attracted a large proportion of business travelers. However, things have not being going well as Jet Airways has shut down its operations on 17th July 2019. The latest update has been on the issue is the fact that a South America-based company called Synergy Group Corp. has expressed their interest to buy the company.

Reasons for Jet Airway's Failure

1. ***Merger-*** Merging Sahara Airlines with Jet Airways can be called as a mistake of Jet Airways. Jet Airways acquired Sahara for $500 million, which was not an appropriate price of the company.
2. ***Rebranding Sahara-*** This can be called as the biggest reason for the failure. Jet Airways rebranded Sahara Airways as JetLite. JetLite was a brainchild of Naresh Goyal, as a form of a low-cost airline. JetLite competed with established airlines like SpiceJet and IndiGo, to whom it was no match for.

According to the recent report by The Directorate General for Civil Aviation, JetLite has a relatively less number of Passenger Load Factor in 2019 (84.2%) than IndiGo (86.4%) and SpiceJet (90.9%).

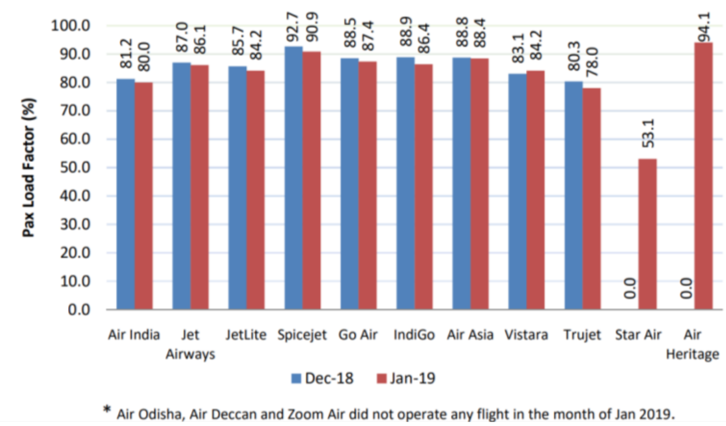

Figure 1. Pax Load Factor (%). Adapted from "Handbook on Civil Aviation Statistics," by Directorate General of Civil Aviation, 2019.

According to the same report, the number of seat cancellations have been higher in JetLite than the other low-cost airlines.

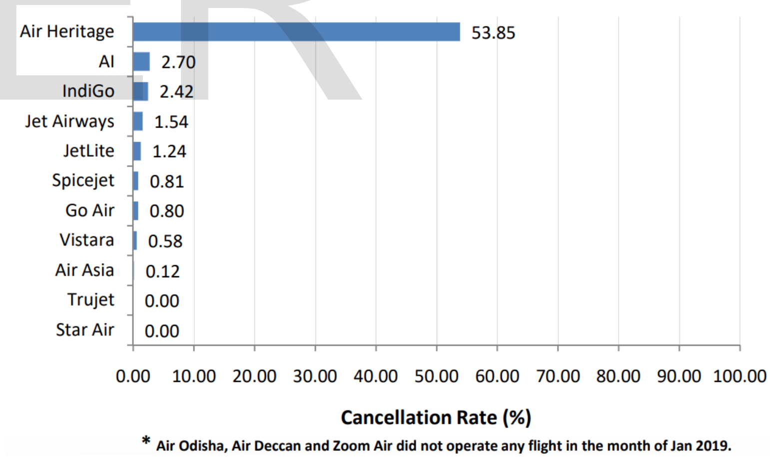

Figure 2. Cancellation Rate (%). Adapted from "Handbook on Civil Aviation Statistics," by Directorate General of Civil Aviation, 2019.

3. ***Mismanagement-*** The unusual thing about Jet Airways was the fact that the founder of Jet Airways, Naresh Goyal decided to lead the company on his own and not to hire any professional for it. Many people say that he took many bad financial decisions. Along with this, he only had one management team for all the operations.
4. ***Full-service airline-*** The company was operating as a full-service airline. Operating in India as a full-service airline is not an easy task. The airlines were operational even during the offseason. The costs associated to petrol and seating have been a huge burden for the

company. The influx of less passengers in the flights did not help.

5. ***Increase in Debts-*** Improper management was at the core of this. Despite of debts being piling up day by day, Jet Airways still used to provide their crew and staff with perks and bonuses. But ultimately, Jet Airways' gross loan and unpaid interest towards its domestic and international lenders amounted to around ₹11,261 crore, this included ₹7,251 crore from nine domestic lenders, another ₹4,000 crore of foreign borrowing and unpaid interest amount of ₹1,000 crore.

INDIGO - CASE STUDY

IndiGo, also known as InterGlobe Aviation Limited is an Indian low-cost airline. It is the largest airline in India by passengers carried and fleet size, with a 48.1% domestic market share as of June 2019. It is also the largest individual Asian low-cost carrier in terms of jet fleet size and passengers carried, and the seventh largest carrier in Asia with over 46 million passengers carried in 2017. The airline operates flights to 66 destinations – 51 domestic and 15 international. It has its primary hub at Indira Gandhi International Airport, Delhi. In terms of success, the company has been achieving a lot. They have been getting recognition and were winning a lot of awards. According to the Centre for Asia Pacific Aviation (CAPA), IndiGo alone could be on track to report a profit of USD 400-500 million.

Reasons for IndiGo's success

1. ***Low-cost airlines-*** IndiGo always went with offering one class of no-frills service on a single type of plane. Despite rivals like Jet Airways and Kingfisher Airlines forming mergers and expanding their fleet, Indigo has chosen to stick to the Airbus A320.
2. ***Selling and Leasing Policy-*** The company maintains a young fleet by selling and leasing back its planes. IndiGo uses six-year sale and leaseback agreements, so the airline is constantly replacing its aircraft. This prevents the need for overall checks and major repairs, which means IndiGo understands how to work the margins. Operationally it would be impossible to make a profit at the very low fares they were offering through the first four years of operations, where ticket prices on Indigo were roughly 40 percent of cost of operation. Even before starting operations in 2006, Indigo had placed a firm order for 100 Airbus A320 aircraft in June 2005, which gave it a pricing advantage. The airline then acquired parking lots in Delhi and Mumbai, and by the time the first Indigo flight was announced, it had already scheduled the first 20 aircraft. Also, it focused on inorganic expansion by adding a plane every six weeks.
3. ***Dedicated Workforce-*** The airline employs few people, with one of the industry's leanest work forces. Each member is selected to work for the airlines after they have been personally met by Mr. Rajeev Bhatia. Simple things have been practiced to perfection, like turnaround time (time taken for a plane to be ready for the next flight between landing and take-off). IndiGo boasts of a turnaround time of less than 30 minutes. Lesser time on the ground means more time in the air. This reduces fuel burning.
4. ***Technological Advances-*** In IndiGo, transmission of shorter messages between aircrafts and ground stations via medium takes place through a digital link system called Aircraft Communications Addressing and Reporting System (ACARS). Before every IndiGo flight departs an automatic message is triggered from the aircraft to its operations control center - and immediately the same departure time gets recorded in the software. IndiGo keeps the whole business of flying; simple. This includes minimum cancellations, easy bookings and a customer-friendly experience.

CURRENT STATE OF AVIATION SECTOR

Seeing the failings of the sector, the government launched a policy, better known as *National Civil Aviation Policy 2016*, which attempted in improving the economy. Its objectives included:

1. Establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, increase employment and lead to a balanced regional growth.
2. Ensure safety, security and sustainability of aviation sector through the use of technology and effective monitoring.
3. Enhance regional connectivity through fiscal support and infrastructure development.
4. Enhance ease of doing business through deregulation, simplified procedures and e-governance.
5. Promote the entire aviation sector chain in a harmonized manner covering cargo, MRO, general aviation, aerospace manufacturing and skill development.

SALIENT FEATURES OF THE NATIONAL CIVIL AVIATION POLICY 2016

- ***Regional Connectivity Scheme***

This scheme will come into effect in the second quarter of 2016-17. Also known as UDAN scheme ("Ude Desh ka Aam Nagrik"), the airfare of an average passenger would be about Rs.2500 for a one-hour flight. This will be implemented by:

(a) Reviving airstrips/airports as No-Frills Airports at an indicative cost of Rs.50 crores to Rs100 crores.
(b) Selecting specific airports/airstrips for revival; in consultation with State Governments and airlines.

- ***Viability Gap Funding (VGF) to airline operators***

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Viability Gap Funding (VGF) to be shared between MoCA and State Governments in the ratio of 80:20. For the North Eastern States, the ratio is 90:10.

- ***5/20 Requirement***

Earlier, the requirement was for any airline company to initiate international operations-
5 years of airline experience, and a fleet of 50 aircrafts. This was replaced with a scheme- All airlines can now commence international operations provided that they deploy 20 aircraft or 20% of total capacity (in term of average number of seats on all departures put together), whichever is higher for domestic operations

- ***Bilateral Traffic Rights***

Government of India will enter into 'Open Sky' ASA on a reciprocal basis with SAARC countries and countries located beyond 5000 km from Delhi. For countries within 5000 km radius, where the Indian carriers have not utilized 80% of their capacity entitlements, but foreign carriers /countries have utilized their bilateral rights, a method will be recommended by a Committee headed by Cabinet Secretary for the allotment of additional capacity entitlements. Whenever designated carriers of India have utilized 80% their capacity entitlements, the same will be renegotiated in the usual manner.

- ***Ground Handling Policy***

The Ground Handling Policy/ Instructions/Regulations will be replaced by a new framework-

a) The airport operator will ensure that there will be three Ground Handling Agencies (GHA) including Air India's subsidiary/JV at all major airports as defined in AERA Act.
b) At non-major airports, the airport operator to decide on the number of ground handling agencies, based on the traffic output, airside and terminal building capacity.
All domestic scheduled airline operators including helicopter operators will be free to carry out self-handling at all airports through their regular employees. However, hiring of employees through manpower supplier or contract workers will not be permitted for security reasons.

- ***Airport Authorities of India***

Constant airport developments are to be done by AAI and state governments.
Future tariffs at all airports will be calculated on a 'hybrid till' basis, unless specified otherwise in concession agreements. 30% of non-aeronautical revenue will be used to cross- subsidize aeronautical charges. The plan is also to increase non-aeronautical revenue by better utilization of commercial opportunities of city side land. AAI to be compensated in case a new greenfield airport is approved in future within a 150 km radius of an existing unsaturated operational AAI airport.

- ***Aviation Security, Immigration and customs***

The Ministry of Civil Aviation (MoCA) will develop 'service delivery modules' for aviation security, Immigration, Customs, quarantine officers etc. in consultations with respective Ministries. NCAP 2016 allows Indian carriers to provide security services to other domestic airlines subject to approval of BCAS.

- ***Helicopters and Charters***

a) Separate regulations for helicopters will be notified by DGCA after due stakeholder consultation. MoCA is to coordinate with Government agencies and other helicopter operators to facilitate Helicopter Emergency Medical Services.
b) Helicopters will be free to fly from point to point without prior ATC clearance in airspace below 5000 feet and areas other than controlled or prohibited or restricted airspace.
c) Airport charges for helicopter operations will be suitably rationalized. The existing policy of allowing Inclusive tour package charters will be further reviewed to include more categories of passenger charter flights recognized globally.

- ***Maintenance, Repair and Overhaul***

The MRO business of Indian carriers is around Rs 5000 crore, 90% of which is currently spent outside India. In the budget for 2016-17, customs duty has been rationalized and the procedure for clearance of goods simplified. Further incentives proposed in the policy to give a push to this sector:

a) MoCA persuaded State Governments to make VAT zero- rated on MRO activities.
b) Provision for adequate land for MRO service providers will be made in all future airport/heliport projects where potential for such MRO services exists
c) Airport royalty and additional charges will not be levied on MRO service providers for a period of five years from the date of approval of the policy

- ***Aviation Education and Skill Building***

Estimated direct additional employment requirement of the Civil Aviation Sector by 2025 is about 3.3 lakh. All training in non-licensed category will conform to National Skill Qualification Framework standards. MoCA will provide full support to the Aviation Sector Skill Council and other similar organizations/agencies for imparting skills for the growing aviation industry. There are nearly 8000 pilots holding their own degrees but who have not found any regular employment. MoCA will develop a scheme with budgetary support for Type- rating of Pilots. The detailed scheme will be worked out separately.

CONCLUSION

Overall, the Indian Aviation sector can be declared as one of the booming industries in the country. Yet, big heavyweights like Jet Airways and Kingfisher Airlines are unable to perform.

- **Regional Connectivity Scheme**

  a) NCAP 2016, doesn't mention from where VGF for RCS will come from.

  b) Administration of VGF would require scrutiny of airlines balance sheet which would be a messy process. It has the potential of becoming another hotbed for controversy.

  c) VGF would result in additional subsidy burden at a time when economic survey argued in favor of removing subsidies for the rich.

  d) Subsidy based regime would be impacted by the vagaries of price changes in oil prices.

  e) Capping of fares (1200 for half hour, 2500 for an hour) is criticized as airlines argue that it should be a function of demand/supply.

  f) Critical reform includes depoliticization of identifying destinations. Resources ought to be deployed based on economics rather than a populist gesture to entice hinterland voters.

  g) The success of RCS will depend upon support by the state govt in the form of free land, lower utility rates and tax cuts on airline fuel.

  h) The subsidy regime under RCS where the subsidy for flyers on new routes will be financed levy on flyers on high traffic routes is questionable as it would make air travel expensive.

- Airlines wished for 0/0 rule. However the rationale is that domestic operations should not be ignored. The other side is that scaling up of operations by airlines is not an easy task. Mandating a min requirement of 20 airlines before initiating international operations doesn't solve the problem for airlines.

- The Open sky policy with SAARC countries is a good measure. However the one with countries beyond 5000km radius will fail to have much impact as India already has unused flying rights to EU, open sky policy with US and UK.

- Assessment of Hybrid Till model for deciding on airport charges-

  a) According to International Air Transport Association (IATA), the approved policy states that "future tariffs at all airports will be calculated on a hybrid-till basis" – which can make air travel more expensive

  b) Single Till model is considered to be more effective for airlines as airport charges constitute around 14% of the total operational cost of a passenger carrier.

  c) Costlier airport charges will translate into costlier tickets which will interfere with the civil aviation policy objective of tripling passenger traffic by 2022

  d) The model has been proposed to entice private operators into investing in building airports on PPP basis by providing them with an effective stream of revenue

- **Assessment of Increasing FDI in Airlines Sector to 100%**

Increasing the FDI limit for airlines (including regional operators for whom FDI of 49 per cent was only allowed last November) to 100 per cent, with automatic approvals for foreign ownership up to 49 per cent, sounds good on the face of it. But it will not bring new foreign players in the fray-

- This is because global airline players continue to be hemmed in by the 49 per cent ownership limit set by the United Progressive Alliance government in 2012, following which ventures such as AirAsia India and Vistara took off. This is because despite 100% FDI being allowed, securing a scheduled operator permit still requires an airline's chairman and at at least two thirds of its directors to be Indian citizens, and substantial ownership and effective control to be vested in Indian nationals. It then begs the question why a foreign airline would invest so much in a JV when it can have very limited management control.
- The NCAP is unfortunately silent on other issues like formation of an independent Civil Aviation Authority (CAA), privatization of Air India, market-listing of AAI, hive-off of Air Navigation Services (ANS) from AAI.

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