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## HIGHER PENSION: EPFO OFFICES TOLD TO WORK OUT DUES OF SUBSCRIBERS

The Employees' Provident Fund Organisation (EPFO) has issued an internal circular directing its regional offices on the method to calculate the dues of subscribers who apply for higher Provident Fund (PF) pension.

According to the circular, 8.33% of employer share on higher pay from November 16, 1995 or from the date the pay exceeds the wage ceiling of ₹6,500 and 1.16% of employer share on higher pay above ₹15,000 a month will be added for calculating dues. Employees who opt for higher pension will have to pay this amount from their PF contribution. Pensioners too will have to make the payment.

"The interest to be charged on dues as calculated above shall be the interest earned by the members on their PF accumulations," the circular said. Another circular on calculating the pension will be released soon.

An EPFO official said a separate circular would be issued addressing the public with details of the method of calculating dues and pension.

The step is part of a series of measures taken by the EPFO to implement the Supreme Court order on higher PF pension.

The EPFO had recently extended the date for submitting joint options with employers for availing higher pension till June 26.

"In case of acceptance of joint option of members who are still in service and officer in-charge has passed the requisite speaking order, the present employer shall continue to pay pension contribution on higher wages in future also, including the increased 1.16% on wages above ₹15,000 per month," the circular said.

Calculation post verification

The dues will be calculated by the regional offices after the verification of wage details submitted by the employers. "In case of exempted establishments, the wage details for the entire period and the matching contribution should be available with the exempted establishments and consistent with the records of the Trust," the circular added. For both exempted and un-exempted establishments, the interest shall not be calculated for operative accounts.



*A circular will be issued for the public with the method of calculating dues and pension.*

## CHINA OBJECTS TO INDIA'S BID TO BLACKLIST SENIOR JEM LEADER AT THE UN

China has objected to a proposal by India to blacklist senior Pakistan-based Jaish-e-Mohammed (JeM) terrorist Abdul Rauf Azhar at the United Nations Security Council.

Brother of JeM chief Masood Azhar, Abdul Rauf has been involved in planning and executing numerous terror strikes in India including the hijacking of Indian Airlines aircraft IC814 in 1999, the attack on Parliament in 2001 and the targeting of the IAF base in Pathankot in 2016.

It is learnt that China objected to the proposal from India to add Abdul Rauf of the JeM to the UN Security Council's 1267 ISIL and Al Qaida Sanctions list.

Beijing had last year put holds on proposals to blacklist Pakistan-based terrorists Hafiz Talah Saeed, Lashkar-e-Taiba leader Shahid Mahmood and Lashkar-e-Tayyiba terrorist Sajid Mir.

## PAKISTAN'S 'ALL-WEATHER' ALLY CHINA REMAINS SILENT ON IMRAN'S ARREST



*Qin Gang*

A day after the arrest of Imran Khan and widespread protests across Pakistan, the country's "all-weather" ally China remained silent on the unfolding political crisis there.

Beijing's silence is indicative of its broader approach to Pakistan, which has come to lean heavily on the military establishment. Indeed, only two weeks before the arrest of Mr. Khan, Beijing was playing host to Pakistan's Chief of Army Staff Syed Asim Munir, perhaps the only foreign military chief who routinely meets with China's top diplomats besides the military brass. Only three days before the arrest, the Army chief held talks with visiting Chinese Foreign Minister Qin Gang, who was in Pakistan for trilateral talks with Afghanistan.

In Beijing, the Army chief met with Politburo member and top diplomat Wang Yi, on April 27. Mr. Wang pointedly described the Pakistan Army as "a staunch defender of Pakistan's national security and stability, and also a staunch defender of China-Pakistan 'ironclad' friendship." "China," he added, "appreciates the successive Pakistani governments and all political parties for firmly pursuing friendly policies towards China and standing with China on issues concerning China's core interests and major concerns".

Mr. Wang's comments point to the broad view in China's strategic community that the Army, rather than civilian elected governments, can be better relied upon by Beijing to ensure stability. For China, the protection of its personnel in Pakistan is among its highest priorities. While in Pakistan, Mr. Qin stressed "that stability is a

prerequisite for development, and security the foundation of strength and prosperity.”

Hu Shisheng, a leading South Asia scholar at the China Institutes of Contemporary International Relations in Beijing, said his “general feeling is that the arrest of the former Prime Minister will lead to more political chaos, more political demonstrations on the streets.” He suggested that the Army, courts and political establishment will look “to end this political drama in the coming days” and that Mr. Khan’s PTI would remain a political force.

Wang Dehua, director and professor of the Institute of South and

Central Asia Studies in Shanghai, was critical of Pakistan’s political “elites”. “As Pakistan stands on the brink of economic collapse and runs out of money, the country’s elite must honestly take stock. For far too long, they have relied on regressive taxes and extractive economic policies to impoverish the masses while enriching themselves,” he said. “This inability of Pakistan’s elites to internalise and grapple with the ongoing crisis is reflected on mainstream and social media, where the conversation, to this day, has barely matured beyond the typical finger-pointing and arguments in bad faith that are the norm in the country’s political landscape.”

## NCLT ADMITS GO FIRST’S INSOLVENCY PLEA, ALLOWS MORATORIUM ON LEASES

The National Company Law Tribunal (NCLT) on Wednesday admitted Go Airlines’ plea for voluntary insolvency and granted protection under moratorium from adverse actions by lessors, lenders, DGCA, airports and fuel suppliers.

The NCLT has appointed Abhilash Lal from Alvarez & Marsal as the Interim Resolution Professional (IRP) and directed initiation of Corporate Insolvency Resolution Process for the carrier that operates under the Go First brand.

“The IRP will ensure to take all necessary steps including the execution of the arbitral award to keep the corporate debtor (Go First) as a going concern and run its services smoothly,” the tribunal ruled. It added that the IRP must also ensure that no employees were laid off.

### Immediate appeal

SMBC Aviation Capital, which has leased at least seven aircraft to Go First, moved the National Company Appellate Law Tribunal to challenge the order. Lessors have already terminated lease agreements for 45 of the carrier’s 54 aircraft and have requested the DGCA to deregister the aircraft. They contend that the moratorium cannot be enforced retrospectively. Also, 26 aircraft had already been grounded following issues with their Pratt & Whitney engines. Meanwhile, in a market faced with pilot shortages, Air India is learnt to be in the process of hiring 350 pilots from the bankrupt airline. About 50 offer letters have already been issued, a senior AI official, who spoke on condition of anonymity, confirmed. Almost 50-100 pilots are set to join IndiGo, and another 50 may join

### Bankruptcy protection

Go Airlines has won an opportunity from the NCLT to revive operations under an Insolvency Resolution Professional



- Tribunal grants protection from adverse actions by lessors, lenders, DGCA, airports and fuel suppliers

- NCLT directs IRP to ensure no employees face retrenchment

- SMBC Aviation Capital, which has leased at least seven aircraft, moves National Company Appellate Law Tribunal to challenge the order

*Airline’s ability to resume flights clouded by uncertainty over aircraft, pilot availability; one lessor appeals to NCLAT against order, others seek to have planes deregistered; Air India, IndiGo, Akasa set to hire about 500 cockpit crew from carrier*

Akasa, sources among Go First pilots said.

## INDIA, U.S. TO STRENGTHEN G-20 COOPERATION DURING MODI VISIT



*Close ties: Prime Minister Narendra Modi with U.S. President Joe Biden during the G-20 Summit in Indonesia. File Photo*

*PM, Biden will have the opportunity to review strong bilateral cooperation in various areas of mutual interest, including technology, clean energy, and defence, says an MEA statement*

Welcoming the U.S. announcement of Prime Minister Narendra Modi’s first state visit next month, the Ministry of External Affairs (MEA) said on Wednesday that it would allow him and President Joe Biden to explore ways in which India and the U.S. could strengthen their cooperation at the G-20 [of which India currently holds the rotating presidency] and other multilateral and plurilateral forums.

“The leaders will have the opportunity to review strong bilateral

cooperation in various areas of mutual interest, including technology, trade, industry, education, research, clean energy, defense, security, healthcare, and deepening people-to-people connections,” the MEA said in a statement.

The Indian readout went into more detail, adding that the two leaders would reflect on “their shared vision for a free, open, and inclusive Indo-Pacific and discuss opportunities to expand and consolidate the Quad engagement”.

Mr. Modi and Mr. Biden are expected to discuss an expansion in educational exchanges, climate change, workforce development and health security, according to the White House.

“This historic visit offers a valuable opportunity for India and the US to further deepen a comprehensive and forward-looking global strategic partnership,” the MEA said.

“The visit will strengthen our two countries’ shared commitment to a free, open, prosperous, and secure Indo-Pacific and our shared resolve to elevate our strategic technology partnership, including in defense, clean energy, and space,” the White House said.

Mr. Modi’s first state visit has been in the works for months, with Indian officials working out the logistics for it.

The Hindu had reported that Mr. Modi and Mr. Biden are also expected to interact multiple times later in May — at the G-7 meetings in Hiroshima, to which India is an invitee, in Papua New Guinea where the two leaders are on overlapping visits, and at the Quad Summit in Sydney.

Since becoming PM in 2014, Mr. Modi has made more than half-a-dozen trips to the U.S. for bilateral and multilateral meetings with all the three Presidents, Barack Obama, Donald Trump and now Mr. Biden, but this will be his first state visit, a privilege accorded to close friends and allies of the U.S.

He last visited Washington in September 2021 at the invitation of Mr. Biden for a bilateral meeting and also attended the first in-person Quad Leaders’ Summit.

## SNAP JUDGMENT

*Every birth or death should not be seen as success or failure of Project Cheetah*

It is almost three months since South Africa sent a batch of 12 cheetahs to India and two have already died. Taken along with the death of one of the eight cheetahs from Namibia — it had a pre-existing renal infection — and it emerges that about 15% of the animals have not made it past the first phase of India's ambitious Project Cheetah. The aim is to establish a sustainable population of about 35 cheetahs in the next decade by bringing in a few every year from Africa. Thus, it is implicit that there will be many deaths among the animals if one factors in both the natural lifespan of the cat as well as the challenges of adapting to Indian conditions. Daksha, one of the female cheetahs, died from injuries following a violent mating attempt by two males — again not entirely unexpected from what is known about the predator's behaviour.

Ordinarily, the success of wildlife breeding programmes must be measured over longer intervals. The increase in the lion population in Gir, Gujarat, as well as tiger numbers have been the result of sustained efforts over decades, that have also seen the wildcat count dip to precipitous levels. Therefore, it is yet premature to weigh in on the success of the cheetah translocation programme. However, the arrival of the cheetahs in India was far from an ordinary event. For one, it capped decades of government planning undertaken since 2009, hearings in the Supreme Court, protracted negotiations with two countries, the complex

logistics of choosing and ferrying the animals, the Prime Minister's personal involvement in the enterprise, as well as the significant publicity effort by government departments to promote the endeavour as India's exemplary commitment to wildlife conservation. It is thus only natural that three deaths in three months raise consternation on whether the conservation approach adopted by experts is based on sound principles. There is criticism that Kuno National Park is inadequate to host 20 cheetahs and that some ought to be in other sanctuaries. The existing batch of animals lived far too long in captivity (in preparation for the translocation) and thus were excessively stressed and more vulnerable, the argument goes. Project Cheetah managers however underline that the investments such as in making the landscape adequately stocked with prey, consultations with experts in Namibia and South Africa with actual experience in managing cheetahs, and cultural traditions that minimise poaching and incentivise local communities to be protective of wildcats, are the right ones to help the species flourish. Given that the relocation programme has been conceived as an 'experiment', it is important that every death and every birth are not seen as markers of failure or success. However, there also ought to be clearly defined criteria with timelines that project managers must adhere to, to decide if course correction is warranted.

## A GROUND VIEW OF THE INDIAN SPACE POLICY 2023

On April 20 this year, the Indian Space Research Organisation (ISRO) released the Indian Space Policy 2023 that had been in the works for some years. The document has been received positively by industry. However, it needs to be followed up with suitable legislation, accompanied by clear rules and regulations. Just preceding this, this writer wrote the article, "Awaiting lift-off into the Second Space Age" (April 10, 2023), which said that India's modest entry into the First Space Age followed by its many gains should be used to help the country tap the vast potential in the Second Space Age.

Until the early 1990s, India's space industry and space economy were defined by ISRO. Private sector involvement was limited to building to ISRO designs and specifications. The Second Space Age began with the licensing of private TV channels, the explosive growth of the Internet, mobile telephony, and the emergence of the smartphone. Today, while ISRO's budget is approximately \$1.6 billion, India's space economy is over \$9.6 billion. Broadband, OTT and 5G promise a double-digit annual growth in satellite-based services. It is estimated that with an enabling environment, the Indian space industry could grow to \$60 billion by 2030, directly creating more than two lakh jobs.

Yet, it is the enabling policy environment that has proved elusive. The first satellite communication policy was introduced in 1997, with guidelines for foreign direct investment (FDI) in the satellite industry that were further liberalised but never generated much enthusiasm. Today, more than half the transponders beaming TV signals into Indian homes are hosted on foreign satellites, resulting in an annual outflow of over half a billion dollars.

A remote sensing data policy was introduced in 2001, which was amended in 2011; in 2016, it was replaced by a National Geospatial Policy that has been further liberalised in 2022. Yet, Indian users including the security and defence agencies spend nearly a billion dollars annually to procure earth observation data and imagery from foreign sources. To streamline matters, a draft Space Activities Bill was brought out in 2017, which went through a long consultative process. It lapsed in 2019 with the outgoing Lok Sabha. The government was expected to introduce a new Bill by 2021, but it appears to have contented itself with the new policy statement.

### What is different

To be fair, the Indian Space Policy 2023 is qualitatively different from previous efforts. It is a short 11-page document, which includes three pages devoted to definitions and abbreviations. The 'Vision' is to "enable, encourage and develop a flourishing commercial presence in space" that suggests an acceptance that the private sector is a critical stakeholder in the entire value chain of the space economy. It makes five key points. It defines its role in India's "socio-economic development and security, protection of environment and lives, pursuing peaceful exploration of outer space, stimulation of public awareness and scientific quest".

First, this is the only reference to 'security' in the document, making it clear that the focus is on civilian and peaceful applications. Considering that space-based intelligence, reconnaissance, surveillance, communication, positioning and navigation capabilities are increasingly seen as mission critical by

the defence services, that India conducted a successful A-SAT (anti-satellite) direct ascent test in March 2019, and, in the same year, set up the Defence Space Agency and the Defence Space Research Organisation, it is reasonable to infer that a defence-oriented space security policy document will be a separate document. The United States puts out a space policy under the aegis of the White House Office of Science and Technology Policy, National Aeronautics and Space Administration (NASA) and the Departments of Commerce and Transportation, while the Department of Defence and the Director of National Intelligence are responsible for the space security strategy. Second, the policy lays out a strategy and then spells out the roles of the Department of Space, ISRO, the Indian National Space Promotion and Authorisation Centre (IN-SPACe) set up in 2020, and the NewSpace India Limited (NSIL), a public sector unit set up in 2019 under the Department of Space as the commercial arm of ISRO to replace the now defunct Antrix.

Third, it states that ISRO will "transition out of the existing practice of being present in the manufacturing of operational space systems. Hereafter, mature systems shall be transferred to industries for commercial exploitation. ISRO shall focus on R&D in advanced technology, proving newer systems and realisation of space objects for meeting national prerogatives". Another of ISRO's tasks in the new policy is to "share technologies, products, processes and best practices with NGEs (non-government entities) and/or Government companies". This implies that ISRO will now use its biggest asset, its qualified and talented manpower, to concentrate on cutting edge research and development and long-term projects such as Chandrayaan and Gaganyaan. As ISRO's commercial arm, NSIL will become the interface for interacting with the industry, undertake commercial negotiations and provide hand-holding support to ensure smooth and efficient transfer of technologies.

### Private sector role

Fourth, the NGEs (this includes the private sector) are "allowed to undertake end-to-end activities in the space sector through establishment and operation of space objects, ground-based assets and related services, such as communication, remote sensing, navigation, etc.". Satellites could be self-owned, procured or leased; communication services could be over India or outside; and remote sensing data could be disseminated in India or abroad. NGEs can design and operate launch vehicles for space transportation and establish their own infrastructure. NGEs can now make filings with the International Telecommunication Union (ITU) and engage in commercial recovery of asteroid resources. In short, the entire gamut of space activities is now open to the private sector. Security agencies can task NGEs for procuring tailor-made solutions to address specific requirements.

The activities of the NGEs will be in keeping with guidelines and regulation to be issued by IN-SPACe. It is expected to act as the single window agency for authorising space activities "by government entities and NGEs", in keeping with safety, security, international obligations and overall national interests.

Finally, IN-SPACe is expected to create a "stable and predictable

regulatory framework" that will ensure a level playing field for the NGEs. It will act as a promoter by setting up industry clusters and as the regulator, issue guidelines on liability issues.

#### The gaps

The policy sets out an ambitious role for IN-SPACe but provides no time frame for the necessary steps ahead. Neither is there an indicative timeline for ISRO's transitioning out of its current practices nor is there a schedule for IN-SPACe to create the regulatory framework. The policy framework envisaged will need clear rules and regulations pertaining to FDI and licensing, government procurement to sustain the new space start-ups, liability in case of violations and an appellate framework for dispute settlement.

A regulatory body needs legislative authority. The Reserve Bank of

India was set up by the 1934 RBI Act, the Securities and Exchange Board of India (SEBI) by the 1992 SEBI Act, and the Telecom Regulatory Authority of India (TRAI) by the 1997 TRAI Act. IN-SPACe is expected to authorise space activities for all, both government and non-government entities. Currently, its position is ambiguous as it functions under the purview of the Department of Space. The Secretary (Space) is also Chairman of ISRO, the government entity to be regulated by IN-SPACe.

The Space Policy 2023 is a forward-looking document reflecting good intentions and a vision. But it is not enough. What is urgently needed is a time frame to provide the necessary legal framework to translate this vision into reality, to successfully launch India into the Second Space Age.

## THE FALLOUT OF PUTIN HELPING MAKE NATO 'GREAT AGAIN'

The North Atlantic Treaty Organization (NATO) has almost doubled its borders with Russia with the addition of Finland as its 31st member in April 2023. Sweden will become a member eventually, once the ratification process gets over, which will swell NATO's territorial expanse like never before, and also make the Baltic Sea a NATO lake. The accession of Finland was the fastest on record. For long, Nordic countries Finland and Sweden had refused to take sides, maintaining military non-alignment and being focused more on their internal socio-economic development, thus making them models of modern welfare states. Their relations with Russia were moderate at best, if not deep enough. But the Russian invasion of Ukraine changed the way they had viewed their eastern neighbour and the predictability of its leader, Vladimir Putin. For sure, Mr. Putin's actions have brought certain changes in the regional security dynamics of Europe.

#### Russian actions, European unity

First, engaging Russia has never been so easy for the European Union, mostly because of differences among member-states. Some European countries such as Germany and France had a soft corner for Russia, unlike some Baltic states such as Estonia, Latvia and Lithuania which have been in favour of treading a cautious path. Russia's invasion of Ukraine has not only brought back war to the European realm in the post-Second World War era, but is also a blow to the EU's image as an actor, having failed to avert the war in its neighbourhood. An interesting outcome in this adverse situation is that Russia's actions have now united European countries more than ever before.

Second, Mr. Putin might not have expected that Finland and Sweden would give up their neutrality so soon. Their membership will also mean more expenditure, militarily, and restructuring apart from a stationing of NATO forces under the new command structure. As a response, Russia will also build its military presence in the adjoining northern areas and the Kaliningrad exclave. Bordering Finland, these northern areas (starting from St. Petersburg to Murmansk) come under the Russian Core region, which is strategically and economically important for Russia. Having NATO at its Finnish door will further fuel Russian anxiety.

#### Spotlight on the Arctic

Third, apart from these immediate border areas, another region where Nordic countries (or for that matter NATO) may face a standoff with Russia is the Arctic region, which has received little attention being too hostile an environment

to merit any attention. But, due to climate change and prospects of harnessing untapped oil, gas and mineral resources, it is receiving wide attention, creating unexpected and complex challenges. Apart from the United States, Canada, and Russia, the Nordic countries such as Norway, Denmark, Iceland, Sweden and Finland are members of the Arctic Council, and have a direct stake in Arctic affairs. There have been localised confrontations between Russia and other actors here. NATO membership for the Nordic countries has brought a new geo-strategic dimension to the Arctic's future.

For Russia, cohabitation, rather than confrontation, with NATO was an option, but its military action has changed everything. By invading Ukraine, Mr. Putin wanted to stop NATO from expanding its base. On the contrary, it has triggered a NATO expansion instead, to a larger base in the Nordic, complicating the security landscape and creating more frontiers. There is more justification for NATO's existence now. Many countries now see their secure future in NATO's Article 5. Mr. Putin has in fact made NATO great again.

#### Implications for India

In recent years, India has had limited engagement with NATO, mostly as political dialogues. India has maintained a strategic silence on NATO's recent expansion. But it needs to closely watch for scenarios that could emerge.

First, Russia has few friends left in the current situation, but India, as one of them, is unlikely to help Moscow in maintaining the balance of power to counter NATO. China has maintained a strong stance against NATO's existence and outreach towards the Indo-Pacific. Russia may count on China for support, bringing the two countries closer, strategically and militarily, which may not be in India's interest.

Second, in recent years, the Nordic region has caught the frequency of India's strategic radar. Prime Minister Narendra Modi visited Copenhagen to participate in the Second India-Nordic Summit in May 2022, and underlined India's deep interest in cooperation. This region now coming under a NATO umbrella will complicate India's strategic choices.

Third, India has observer status in the Arctic Council and pursues an Arctic Policy to promote multi-level cooperation. Finland's NATO membership, with Sweden joining soon, along with China's claim as a 'Near Arctic State' and its partnership with Russia in this region, may lead to the Arctic's militarisation, thereby affecting the interests of all actors including India. India's global actor role will be tested in view of the new European security architecture led by NATO, and contested by Russia.

## CYBERCRIME RACKET IN NUH DUPED 28,000 PEOPLE OF ₹100 CRORE: HARYANA POLICE



The cybercrime racket busted in Nuh a fortnight ago had duped around 28,000 people of ₹100 crore across the country, the Haryana Police said on Wednesday.

The accused had lured people through online advertisements with sales on different products and work-from-home jobs, and extorted money through honey-trap.

Sixty-six people were arrested during searches in 14 villages of Nuh in the early hours of April 28 in this connection and 250 are still at large. Of those on the run, 20 are from Rajasthan, 19 from Uttar Pradesh and 211 from Haryana. The accused are aged between 18 and 35 and had mostly studied only up to high school.

Giving details of the racket's modus operandi on completion of the police remand of the accused, Nuh Superintendent of Police Varun Singla, in a press conference, said the accused would lure people with attractive offers of sales on motorbikes, cars and mobile phones and seek money on the pretext of courier and transportation charges, but the goods were never delivered.

In some cases, the accused honey-trapped people through profiles on social media platforms, recorded their videos and extorted large sums of money. The bank accounts used to transfer money were mostly activated online seeking details such as Aadhaar, PAN, and mobile number from unsuspecting people.

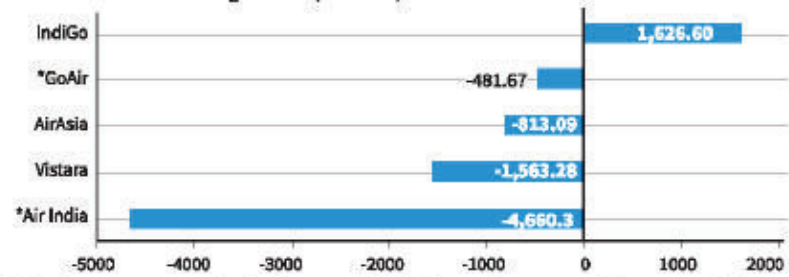
# THE TROUBLES OF INDIA'S AVIATION INDUSTRY

## No-fly zone

GoFirst airlines, which had rebranded itself two years ago, filed for bankruptcy with the National Company Law Tribunal last week. The unprecedented insolvency filing has brought India's aviation industry into the limelight. The charts below show the state of the industry and how it is trying to survive rising operational costs amid heavy competition



Chart 1: Airline losses during 2019-20 (in ₹ crore)



\* Air India was state-run and had not been acquired by the Tatas in 2019-20; GoAir became GoFirst in 2021

Chart 2: The duration for which different airlines operated

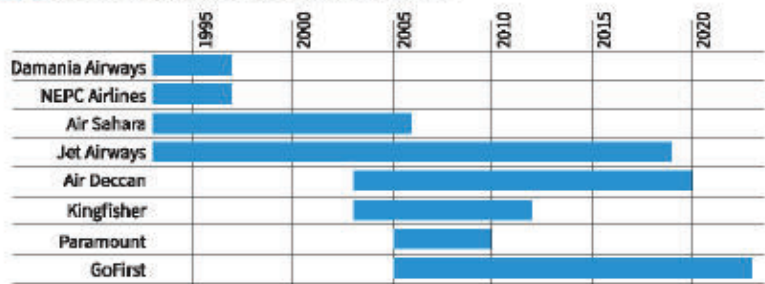
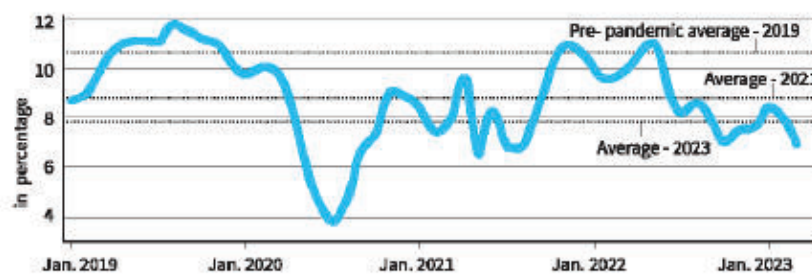


Chart 3: GoFirst's market share from 2019



What does GoFirst's distress call mean for the aviation sector? Why was a major section of GoFirst's aircraft grounded since last year? Why do airlines struggle to survive? What contributes to the high operating costs? What are the policy and regulatory factors affecting the industry?

### EXPLAINER

#### The story so far:

After low-cost carrier GoFirst's insolvency filing last week, the aviation safety regulator Directorate General of Civil Aviation (DGCA) on Monday, May 8, directed the airline to stop selling air tickets immediately. The DGCA issued GoFirst a showcause notice for its "failure to continue the operation of the service in a safe, efficient and reliable manner", giving it 15 days to reply before the regulator decides on revoking the airline's permit to offer commercial flights. The unprecedented distress call by the airline that rebranded itself just two years ago raises concerns about the health of the Indian aviation industry already reeling from pandemic losses.

How big is the Indian aviation sector?

The country's domestic air traffic has been recovering in the past few months after being severely hit by the coronavirus pandemic. In March, domestic carriers flew 13 million passengers, which according to the DGCA was 11% more than the same month in the pre-pandemic years of 2018 and 2019. As per the Civil Aviation Ministry, India will have more than 140 million passengers in FY2024 alone. The CAPA-Centre for Aviation projects India to handle over 1.3 billion passengers annually in the next 20 years. There are currently 148 airports in the country and it is the third-largest domestic market in the world in terms of seat capacity. As of March 2023, IndiGo remained the domestic market leader with 56.8% of the market share, followed by Vistara (8.9%) and Air India (8.8%). AirAsia had 7.6% of the market, while GoFirst was at 6.9%, followed by SpiceJet at 6.4%. The newest player AkasaAir, which began operations in August 2022, managed to capture a 3.3% share.

#### Is the sector financially viable?

Despite being touted as the 'fastest growing aviation sector' in the world, airlines in the country have struggled to survive in the highly competitive and unforgiving aviation industry. While travel restrictions during the pandemic badly hit the coffers of all carriers, their financials were in the red earlier as well. While India's airlines cumulatively suffered huge losses (₹15,000 crore) in the financial year 2020-2021 owing to the pandemic, losses are not a post-COVID phenomenon. In 2019-20, IndiGo was the only airline to make a profit, while all other players posted losses led by then state-run Air India at ₹4,600 crore (Chart 1). Financial trouble has led to the folding of major airlines in the past few decades — seventeen airlines, domestic and regional, have exited the market (Chart 2). Meanwhile, the consolidation of four carriers including Air India and Vistara under one umbrella by the Tatas is going to make it even tougher for smaller airlines to capture the market, pointed out CAPA in its recent report. While AirIndia was bad for competition in its earlier state-owned version, with the current consolidation, 75-80% of the market will be captured by Indigo and Air India combined, leaving just about 20% for players like SpiceJet, GoFirst (if it revives), and the newest entrant Akasa.

#### What costs do airlines bear?

Aviation policy is broad-based in India and is dealt with by the Ministry of Civil Aviation under the legal framework of the Aircraft Act 1934, and Aircraft Rules 1937. The DGCA is the statutory regulatory authority which comes in for issues related to safety, licensing, airworthiness, and so on. While the mother Act and Rules have seen frequent modifications, aviation experts argue that India has not kept pace with modern technology in aerospace and increasing costs to the industry which ultimately affects passenger growth.

While the Indian aviation sector initially saw a boom in the 1990s after opening up as a result of liberalisation reforms and the breaking of the monopoly created by Indian Airlines and Air India, by the early 2000s, only two major airlines that were given licences (Jet Airways and Sahara) survived. Low-cost carriers then entered the market around 2003 with diversification and lower fares being expected to promote the industry's growth. However, while no-frills brands faced intense competition to keep prices low, the government levied high taxes on Aviation Turbine Fuel (ATF).

According to estimates, while India's airfares are 15% below the break-even point, heavily-taxed ATF contributes to the single biggest expenses of carriers, amounting to anywhere between 40-50% of operational expenses. Some Indian States impose provincial taxes of as much as 30% on jet fuel. This also makes shorter flight routes unsustainable for smaller airlines while big carriers like IndiGo offer ultra-cheap fares on routes flown by rivals using their reach to recoup costs on less-competitive legs and tapping economies of scale to lower overheads, notes a Bloomberg analysis.

Indian aviation policy has also posed barriers to entry and growth while also not affecting players uniformly. From 2004 to 2016, new airlines in the country had to be in operation for at least five years and have a fleet of at least 20 aircraft to be able to fly internationally, which stabilises the operations and viability of carriers. This changed with the National Civil Aviation Policy (NCAP) in 2016, which removed the five-year domestic experience rule but kept in place the 20 aircraft fleet requirement — mandating domestic airlines to have at least 20 aircraft (or 20% of its entire fleet size whichever is higher) for domestic operations. While newer entrants to the industry, like Vistara and AirAsia India lobbied the government to remove the 5/20 rule, legacy carriers who had to meet the earlier requirements to go international opposed the change as being bad for competition.

Most Indian airlines do not own entire fleets as their financials do not

allow them to shell out huge one-time payments to buy planes but lease them from companies based out of India instead. About 80% of India's total commercial fleet is leased, according to PwC. However, leasing ends up adding high costs to operations as these leases of about six months each are denominated in U.S dollars. Airlines have to pay annual lease rents of about ₹10,000 crore to lessors, making up nearly 15% of the revenues of Indian Airlines, except Air India which owns a large part of its fleet. The costs of these leases go up further when the Indian rupee depreciates during short and long term global financial developments, for instance, an oil price shock, which simultaneously increases the cost of ATF, compounding the carrier's expenses. Till the government's plan to get leasing companies to set up shop in India and make it a leasing hub takes off fully, the expensive lease rents for airlines and repayment feuds with lessors are here to stay.

Airlines also have to bear costs in terms of airport fees for the use of airport facilities including aircraft landing, freight and other charges related to the use of airport infrastructure such as runways and passenger terminals. Internationally, airlines pass on the bulk of these charges to passengers, however, carriers in India to must remain competitive have to offer lower ticket fares to increase reach. For state-run airports, these charges are regulated by the Airports Economic Regulatory Authority (AERA) but the recent privatisation of airport operations, (handing over major airports to firms like Adani) have raised concerns about further fee hikes. There are also high costs associated with the training of airline crew. Besides, the crunch in pilots is also reflective of the inadequate number of Flight Training Organisations.

#### Why was GoFirst's fleet grounded?

Recent months saw several aircraft grounded at airports, frequent

mid-air snags and cancellations due to operational reasons. As for GoFirst, which filed for bankruptcy at the National Company Law Tribunal (NCLT) last week, 28 of its 54 aircraft are grounded. This, it says is due to "the serial failure of Pratt & Whitney's engines, while it continued to incur 100% of its operational costs". The airline said that 50% of its fleet had to be grounded by December 2022, leading to a loss of over ₹10,000 crore for the airline. American engine maker Pratt & Whitney, meanwhile, has disputed the claim saying that the airline has a "lengthy history of missing its financial obligations". Besides, the airline has total dues amounting to ₹11,463 crore to its various creditors. While lessors are now rushing to take back their aircraft before the NCLT can impose a moratorium on claims, GoFirst is not the only low-cost carrier currently struggling with a grounded fleet. In the case of SpiceJet, its aircraft in operation are now down to about 47-50 out of a total fleet of 78-80 aircraft. Lessors have already taken back 20 of its aircraft owing to non-payment of dues. Besides, the grounding of aircraft has not resulted purely out of financial constraints. Engine and spare part issues have led to the grounding of 13% of the fleet of profit-making and market-leading IndiGo as well. Air India also has part of its fleet grounded. Supply chain troubles in the recent past have substantially affected all major players, with industry experts calling for ramping up the establishment of the Maintenance, Repair and Overhaul (MRO) segment domestically. Captain G.R. Gopinath (retd), the founder of Air Deccan, points out that there are "labyrinthine taxes, customs, other duties and tortuous rules to be overcome to bring in parts, to facilitate repair and overhaul, and to re-export them or for use in aircraft here". The layers of costs associated with policy and infrastructural incapacity affect the viability of airlines which struggle to remain competitive.



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