DAILY EDITORIAL ANALYSIS

TOPIC

INDIAN AVIATION NEEDS MORE COMPETITION

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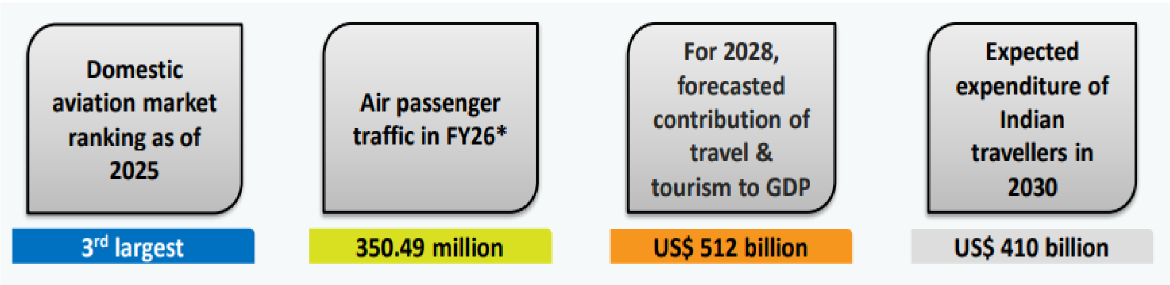
Context

- Recent Indigo fiasco has exposed the systematic risks of of **near-duopoly market structures across airlines** & revived the discussion on the market concentration, competition and structural reforms in India's fast-growing aviation sector.

About India's Aviation Sector

- India is the **third largest domestic aviation market in the world** with **more than 400 million passengers** travelling every year.
- The **Union Ministry of Civil Aviation** said passenger traffic is projected to rise above **one billion by 2047** driven by increasing incomes, urbanisation, tourism and regional connectivity.



- The sector has experienced major infrastructure development through:
    - **UDAN (Ude Desh ka Aam Nagrik)** for regional connectivity;
    - **Greenfield airport** development and airport refurbishment under the National Infrastructure Pipeline.
    - Privatisation of Air India, expansion of airport operations through **Public-Private Partnerships.**
- However, industry consolidation has led to a dominance of the market by **IndiGo and the Air India Group**, with concerns about long-term competition and consumer welfare.

IndiGo: A Success Story

- IndiGo launched operations on 4 August 2006 with an Airbus A320 route from New Delhi to Imphal.
- It went into a fiercely competitive market with Air India, Jet Airways, Kingfisher Airlines, SpiceJet, Air Deccan and GoAir.
- The growth has been fuelled by:
    - Low cost carrier (LCC) business model.
    - High aircraft utilisation and operational efficiency.
    - Modern and fuel efficient fleet.
    - On-time delivery is strong and cost control is tight.

Concerns and Issues in India's Aviation Sector

- **Increasing Market Share:** IndiGo controls **almost two-thirds of the domestic passenger traffic.**
    - After Air India's privatisation and subsequent consolidation, the sector is almost a **duopoly**.
    - Limited competition may lead to less consumer choice and pricing efficiency.

- **High Operational Costs: Aviation Turbine Fuel (ATF)** is heavily taxed, which drives up airline operating costs.
    - Also, higher airport charges at the main airports hit profitability.
- **Infrastructure and Connectivity Challenges:** The passenger increase is outstripping the airport capacity in some of the metropolitan areas.
    - Government help has not solved the viability issues for regional routes.
- **External and Geopolitical Constraints:** The COVID-19 pandemic hit the worldwide airline industry very hard.
    - Closure of Pakistan's airspace has resulted in longer flying time, more fuel consumption and higher operating expenses for many Indian international flights.
- **Human Resource Constraints:** Lack of trained pilots and cabin personnel has emerged as a serious concern.
    - Widespread flight disruptions in December 2025 owing to **Flight Duty Time Limitations (FDTL) compliance** underscore the need for greater workforce planning.
    - Pilot tiredness and regulatory compliance continue to be important safety hazards.
- **Regulatory and Financial Challenges:** Low profit margins and high capital requirements deter new entrants.
    - The policy challenge is to ensure competition is fair, and safety is assured.

Regulatory Frameworks

- **DGCA:** India's apex aviation safety regulator, responsible for airworthiness standards, pilot licensing, accident investigation, and ICAO coordination under the Ministry of Civil Aviation.
- **Bharatiya Vayuyan Adhiniyam, 2024:** The Act replaces the colonial Aircraft Act, 1934 and align India's aviation law with Chicago Convention standards while promoting Make in India in aviation manufacturing and modernising governance frameworks.
- **Revised FDTL Norms (2025):** Weekly pilot rest increased from 36 to 48 consecutive hours, night landings capped at 2 (down from 6), no more than 2 continuous night duties permitted & quarterly fatigue risk reporting mandated for all airlines.

Government Initiatives

- **UDAN (Regional connection Scheme):** To increase air connection to unserved and underserved airports.
    - Reduces air travel costs for smaller cities.
- **eGCA 2.0:** Digital platform streamlining licensing, approvals, and regulatory compliance, improving transparency across aviation stakeholders.
- **National Civil Aviation Policy (NCAP), 2016:** Entry into open market. Removed the previous **5/20 rule** that let qualifying airlines start foreign operations early.
- **Bharatmala and Airport PPP Models:** Greenfield airport development and PPP-based operations are being scaled to meet the 350-400 airport target by 2047.
- **CORSIA Compliance:** India is aligning with ICAO's Carbon Offsetting and Reduction Scheme for International Aviation, integrating Sustainable Aviation Fuel (SAF) in long-term aviation planning.

Way Forward: Strengthening India's Aviation Sector

- **Encourage Good Competition:** Transparent and predictable regulatory rules to encourage financially viable airlines to enter the market.
    - Avoid the emergence of monopolistic or duopolistic market systems.
- **Reduce Cost Burden Rationalise:** ATF taxation by increased coordination with states.
    - Review of airport user charges to increase the viability of airlines.
- **Developing Human Capital:** Support pilot training academies and development of aviation skills.
- **Improve Safety:** Improve working conditions and FDTL standards compliance.

- **Expand Infrastructure:** Speed up airport capacity expansion in high demand cities.
  - Enhance multimodal airport connections.
- **Strengthen Regulatory Oversight:** Strengthen DGCA oversight on safety, competition and operational resilience.
  - Encourage the use of digital technologies for effective airline and air traffic operations.

Conclusion

- IndiGo's two-decade odyssey is the story of India's aviation liberalisation success story and the potential of effective low-cost operations.
- However, for continued expansion in a market projected to handle more than **one billion people by 2047**, more than one dominating airline is required.
- A competitive market, lower operating costs, strong infrastructure, qualified workforce and balanced regulation will be important factors to keep India's aviation sector safe, inexpensive and globally competitive.

Daily Mains Practice Question

[Q] Examine the need for greater competition and consumer choice in India's aviation sector and discuss the key challenges facing the sector and suggest measures to strengthen its growth.

Source: BS