



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

High-Risk Skies — India's Aviation Duopoly, Regulatory Deficit, and the Reform Agenda

 **BUSINESS STANDARD**

12 February 2026

SUBJECTS COVERED**ECONOMY****POLITY****GS PAPERS****GS2****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

UPSC Educator & Content Creator •

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Free UPSC & State PCS Resources

ujiyari.com

High-Risk Skies — India's Aviation Duopoly, Regulatory Deficit, and the Reform Agenda

 Business Standard

12 February 2026

GS2

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"What structural reforms are needed to make India's civil aviation sector competitive, safe, and accessible? Is the Bharatiya Vayuyan Adhiniyam 2024 sufficient?"

WHY IN NEWS

India's aviation sector faces compounding challenges: an entrenched IndiGo-Air India duopoly controlling ~90% of domestic routes, near-50% vacancies at the Directorate General of Civil Aviation (DGCA), and questions about whether the Bharatiya Vayuyan Adhiniyam 2024 addresses root causes or merely modernises the legal surface.

INDIA'S AVIATION PARADOX

India presents a paradox in civil aviation: the **world's 3rd-largest domestic aviation market** (after USA and China) with structural fragilities that threaten its long-term trajectory. The market has grown at a compound annual rate of ~12–15% over the past decade, driven by rising incomes, expanded airport infrastructure, and low-cost carrier proliferation.

Yet this growth has produced a deeply concentrated market. **IndiGo** alone controls 63–65% of domestic routes; together with Air India Group, the duopoly commands approximately 90% of traffic. On 60% of Indian domestic routes, IndiGo is the only carrier. This is not merely a competition concern — it is a systemic risk. If IndiGo faces financial distress (as its predecessors Kingfisher, Jet Airways, and Go First did), India lacks an alternative network to absorb disruption.

THE STRUCTURAL ROOTS OF CONCENTRATION

Why do competitors fail? India's competitive aviation environment is structurally hostile to new entrants and second-tier carriers:

- 1. ATF Taxation:** Aviation Turbine Fuel constitutes **40–45% of Indian airline operating costs** — nearly double the global average of 25–30%. State VAT on ATF reaches 25% in states like Maharashtra and Delhi; because ATF is outside the GST framework, each state taxes it independently. This cost disadvantage is systemic and permanent for all carriers but disproportionately hurts smaller airlines that lack IndiGo’s scale economics and hedging sophistication.
- 2. Airport Infrastructure Costs:** AAI (Airports Authority of India) and private airport operators charge User Development Fees (UDFs) and landing charges that are regressive — the same absolute cost for a Tier-2 regional route as for a high-volume metro route. Small carriers serving UDAN routes bear UDF costs that their subsidised ticket prices cannot absorb after VGF runs out.
- 3. DGCA Capacity Constraints:** With ~50% of technical posts vacant, DGCA cannot process pilot licence renewals, aircraft airworthiness certifications, or AOC (Air Operator Certificate) extensions at required speed. This bottleneck disproportionately affects new entrants who lack IndiGo’s dedicated compliance teams and familiarity with DGCA procedures.
- 4. The Serial Failure Pattern:** Kingfisher (2012 collapse), Jet Airways (2019 collapse), Go First (2023 insolvency) have made aircraft lessors and creditors deeply risk-averse about Indian carriers. New airlines (Akasa Air, Shankh Air, Al Hind Air) struggle to secure competitive lease rates precisely because of this history — while IndiGo commands the best rates from lessors who depend on its volume.

BHARATIYA VAYUYAN ADHINIYAM 2024 — WHAT CHANGES, WHAT DOES NOT

The **Bharatiya Vayuyan Adhiniyam (BVA) 2024** is a genuine improvement over the 90-year-old Aircraft Act, 1934. It aligns India’s legislative framework with **ICAO (Chicago Convention, 1944)** standards, introduces explicit provisions for **unmanned aircraft systems (UAS/drones)** and **Advanced Air Mobility (AAM)**, updates the liability framework for accidents, and provides DGCA with clearer statutory authority.

But BVA 2024 leaves untouched the three structural challenges that matter most:

First, DGCA staffing. The Act empowers DGCA but does not mandate its staffing levels, revise pay structures to compete with airline compensation, or reform the UPSC-driven recruitment timeline. Without a functionally capable regulator, statutory empowerment is a legal formality.

Second, regulatory independence. DGCA remains under the Ministry of Civil Aviation (MoCA), which simultaneously promotes aviation growth and regulates safety. The inherent conflict — pressure to facilitate airline approvals vs. pressure to enforce safety standards — is unresolved. India needs an aviation safety authority with operational independence from the Ministry, analogous to SEBI’s structure or Australia’s CASA (Civil Aviation Safety Authority).

Third, competition architecture. The Act does not address the ATF taxation problem, the airport fee structure, or the UDF regime. These fiscal levers remain with state governments and AERA (Airports Economic Regulatory Authority) — outside BVA 2024’s scope.

UDAN — REGIONAL CONNECTIVITY ACHIEVED, SUSTAINABILITY ELUSIVE

The **UDAN (Ude Desh ka Aam Nagrik)** scheme has achieved its stated operational targets: 625 routes operationalised across 85 airports by 2025, with over 100 routes in the Northeast. The scheme's **Viability Gap Funding (VGF)** mechanism correctly recognises that regional routes are commercially unviable without subsidy.

But UDAN's fundamental design flaw is its **time-bound subsidisation model**. VGF support typically runs for 3 years, after which routes are expected to become self-sustaining. In practice, most regional routes cannot survive without sustained support — they rely on a passenger base that is price-sensitive and lacks alternatives to air travel only because road/rail connectivity is poor. Once VGF ends, carriers exit, and the development impact of the route disappears.

A more durable model would move from time-bound VGF to **permanent route obligation mechanisms** (similar to Public Service Obligation routes in the EU's aviation framework) where the government competitively tenders route licenses with permanent moderate subsidies for commercially unviable but socially necessary routes.

THE COMPETITION LAW DIMENSION

India's **Competition Commission of India (CCI)** has theoretical jurisdiction over anti-competitive practices in aviation. But IndiGo's dominance is not the result of anticompetitive conduct (predatory pricing, exclusionary contracts) in the legal sense — it is the cumulative result of operational excellence, scale, and systematic competitor failure.

CCI's tools — abuse of dominance under Section 4 of the Competition Act, 2002 — are poorly suited to address market concentration resulting from structural market failures rather than anticompetitive conduct. India needs **ex-ante structural regulation** in aviation (capacity reservations for new entrants at slot-constrained airports, mandated code-sharing with regional carriers) alongside CCI's ex-post competition enforcement.

Slot allocation reform is the single most powerful lever available: IGI Delhi and CSIA Mumbai are **Level 3 slot-constrained airports** under IATA rules, where IndiGo controls a disproportionate share of peak slots. Mandatory slot relinquishment (as the EU imposed on BA following the British Airways/Iberia merger) could create entry opportunities.

POLICY RECOMMENDATIONS

A comprehensive aviation reform agenda would require:

ATF under GST: Bringing ATF into the GST framework at 18% — requiring Finance Commission consensus and political will — would reduce airline costs by 15–20% and directly lower ticket prices

DGCA Autonomy and Staffing Reform: Set statutory minimum staffing ratios, allow DGCA to hire on market pay scales outside the UPSC process, and create a Chief Safety Officer position insulated from MoCA interference

UDAN Permanence: Convert time-bound VGF to permanent PSO (Public Service Obligation) route contracts tendered competitively every 5 years

Competition-Sensitive Slot Policy: At Level 3 airports, require IndiGo to release 10–15% of non-peak slots to new entrants as a condition of network expansion

Independent Aviation Safety Regulator: Legislation creating an autonomous Civil Aviation Safety Authority (CASA-India) on the Australian/Canadian model, insulated from MoCA

UPSC RELEVANCE

DGCA (Directorate General of Civil Aviation), BVA 2024 (Bharatiya Vayuyan Adhiniyam), Aircraft Act 1934, ICAO, Chicago Convention 1944, UDAN scheme 2016 (Ude Desh ka Aam Nagrik), ATF, VGF (Viability Gap Funding), AAI, AERA, CCI, Competition Act 2002 (Section 4 – abuse of dominance), IndiGo (63-65%), Air India Group, IATA Level 3 airports.

*Regulatory bodies – DGCA; government policies – UDAN; civil-state relations (ATF taxation); independent regulators. **GS-3:** Infrastructure – aviation; competition law and market concentration; logistics and connectivity; industrial policy.*

★ FACTS CORNER — KNOWLEDGEPEDIA
INDIA AVIATION MARKET:

Rank: **3rd-largest domestic aviation market** (after USA, China)
 Airports: **74 (2014) → 163 (2025)**; target **350–400 by 2047** (Viksit Bharat)
 GDP contribution: **1.5%**; Jobs: **7.7 million** (direct + indirect)
 Projected demand: **715 million passengers/year by 2030**; ~1.1 billion by 2040

MARKET CONCENTRATION:

IndiGo: **63–65%** domestic market share
 Air India Group: **27–28%**; combined duopoly: **~90%**
 IndiGo: sole carrier on **~60%** of domestic routes
 Serial collapses: Kingfisher (2012), Jet Airways (2019), Go First (2023)

ATF TAXATION:

ATF share of airline costs in India: **40–45%** (global avg: 25–30%)
 State VAT: up to **25%** (Maharashtra, Delhi)
 ATF **not under GST** — outside the GST Council/Finance Commission framework

DGCA:

Vacancies: **~50%** of technical posts vacant (2025)
 Foreign pilot temporary approvals: **236** (2025) due to crew shortage
 Safety notices: **19** violation notices to airlines (2025)

BVA 2024:

Replaced: **Aircraft Act, 1934** (colonial-era, 90 years)
 Aligned with: **ICAO and Chicago Convention 1944**
 New provisions: **UAS/drones, Advanced Air Mobility (AAM)**
 Limitation: Does not address DGCA staffing, ATF taxation, or regulatory independence

UDAN SCHEME:

Full form: **Ude Desh ka Aam Nagrik**; Launched: **2016** under NCAP
 Routes: **625** operationalised; Airports covered: **85** (by 2025)
 Northeast routes: **100+**
 VGF: Viability Gap Funding — government subsidises unviable regional routes (typically 3 years)

OTHER RELEVANT FACTS:

Air Corporations Act 1953: nationalised nine airlines; ended with Air India/Indian Airlines monopoly
 Open Sky Policy (1990–94): ended state monopoly; allowed private carriers
 Tata Sons acquired Air India: **January 2022** (disinvestment auction)
 AERA (Airports Economic Regulatory Authority): regulates aeronautical tariffs at major airports
 IATA Level 3: “fully coordinated” slot-constrained airport; IGI Delhi and CSIA Mumbai are Level 3

Sources: Business Standard, Drishti IAS, Next IAS

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Published on ujjyari.com · Free UPSC & State PCS Current Affairs