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India's Aviation Sector – Duopoly Risk, DGCA Gaps, and the Bharatiya Vayuyan Adhiniyam 2024

12 February 2026

SUBJECTS COVERED**ECONOMY****REPORTS & SCHEMES****CURATED & WRITTEN BY****Bharat Choudhary**

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WHY IN NEWS

India's aviation sector — the **world's 3rd-largest domestic aviation market** — faces renewed scrutiny over a dangerous duopoly (IndiGo + Air India controlling ~90% of routes), near-50% vacancies at the DGCA, and the Bharatiya Vayuyan Adhiniyam 2024 replacing a 90-year-old regulatory framework.

INDIA'S AVIATION MARKET — SCALE AND GROWTH

India's civil aviation sector has grown rapidly over the past decade, driven by rising middle-class incomes, expanded airport infrastructure, and low-cost carrier (LCC) proliferation.

Key statistics:

India is the **3rd-largest domestic aviation market** globally (after USA and China)

India's share of global air traffic: **4.2%**; global fleet share: **2.4%** — indicating under-penetration (scope for growth)

Airports: **74 (2014) → 163 (2025)**; target: 350–400 airports by 2047 (Viksit Bharat)

Projected domestic passenger demand: **~715 million by 2030**; **~1.1 billion by 2040** — a ~6-fold increase from current levels

Aviation contributes **1.5% of India's GDP** and supports **7.7 million jobs** (direct + indirect)

THE DUOPOLY PROBLEM

Market share concentration:

Carrier	Domestic Market Share
IndiGo	63–65%
Air India Group (Air India + AIX Connect + Air India Express)	27–28%
All others (Akasa Air, SpiceJet, StarAir, Fly91 etc.)	~9%

The structural risk: IndiGo is the sole carrier on approximately **60% of domestic routes** — there is no competition whatsoever. Air India Group, still completing its turnaround post-Tata acquisition (2022), is far from being a true competitive check on IndiGo.

History of airline collapses in India:

Kingfisher Airlines (2012): Collapsed amid debt and regulatory issues; Vijay Mallya absconded

Jet Airways (2019): Collapsed after 26 years due to liquidity crisis; briefly revived under new ownership

Go First (2023): Declared insolvency; engine shortage (Pratt & Whitney) + liquidity crisis

The serial failure pattern shows that airlines entering to compete with IndiGo have struggled to survive — making the duopoly increasingly entrenched.

REGULATORY GAPS — DGCA'S CHRONIC UNDERSTAFFING

DGCA (Directorate General of Civil Aviation) is India's apex civil aviation regulator — responsible for:

Aircraft airworthiness certification

Pilot licensing and training standards

Airline safety audits

Route approvals

Consumer protection

The staffing crisis:

Approximately **50% of DGCA technical posts are vacant** as of 2025

19 safety violation notices were issued to airlines in 2025 alone — suggesting active enforcement issues

Crew utilisation: Indian airlines are operating at near-100% crew utilisation; global standard is 20–25% spare capacity to allow rest and emergency cover. The deficit led to **236 temporary approvals for foreign pilots** in 2025.

Simulator shortage: India has limited flight simulators for aircraft type-rating — forcing pilots to train abroad at significant cost

Why DGCA vacancies persist:

Government pay scales vs. aviation industry compensation (airlines pay 3–5× more for technical roles)

Long recruitment cycles under UPSC/DPC (Departmental Promotion Committee) processes

Limited dedicated aviation training institutions producing DGCA-ready engineers

BHARATIYA VAYUYAN ADHINIYAM 2024 — MAJOR LEGISLATIVE OVERHAUL

The **Aircraft Act, 1934** — a colonial-era law — governed Indian civil aviation for 90 years. Its replacement, the **Bharatiya Vayuyan Adhiniyam (BVA), 2024**, represents a comprehensive modernisation.

Key changes under BVA 2024:

Aligns India's aviation law with **ICAO (International Civil Aviation Organization)** standards and the **Chicago Convention (1944)** — the foundational international treaty governing civil aviation

Promotes **Make in India** for aviation equipment, components, and MRO (Maintenance, Repair, and Overhaul)

Introduces provisions for **unmanned aircraft systems (UAS/drones)** and **advanced air mobility (AAM)** — the 1934 Act had no such provisions

Updates liability frameworks for accidents and incidents

Empowers DGCA with more explicit statutory authority

What doesn't change: BVA 2024 does not address DGCA's structural staffing deficit or create an independent aviation safety regulator (separate from the MoCA — Ministry of Civil Aviation). Aviation experts argue India needs an independent regulator analogous to SEBI (securities) or TRAI (telecom) to insulate safety decisions from commercial and political pressure.

UDAN — REGIONAL CONNECTIVITY

The **UDAN (Ude Desh ka Aam Nagrik)** scheme — launched in 2016 under the National Civil Aviation Policy — is India's flagship regional connectivity initiative:

625 routes operationalised across **85 airports** by 2025

100+ routes in the Northeast — strategically connecting Tier-2 and Tier-3 cities

Viability Gap Funding (VGF): Government subsidises regional routes that aren't commercially viable without support

New carriers granted No Objection Certificates (NOCs) in December 2025: **Shankh Air, Al Hind Air, FlyExpress** — targeting regional and Tier-2 markets

UDAN's challenge: Most UDAN routes remain commercially unviable without VGF. Once VGF support ends (typically 3 years), many routes are abandoned. The scheme has improved connectivity metrics but not necessarily created sustainable regional aviation ecosystems.

AVIATION TURBINE FUEL (ATF) — COST VOLATILITY

ATF constitutes **40–45% of airline operating costs** in India — significantly higher than the global average (~25–30%) due to:

India's high **Central Excise Duty** and **state VAT** on ATF (states like Maharashtra and Delhi levy VAT up to 25%)

ATF is not included under **GST** — unlike most petroleum products

Crude oil price volatility (India imports ~85% of crude requirements)

Aviation industry consistently demands ATF inclusion under GST (at 18% GST vs. current 40–60% effective taxation in some states). Bringing ATF under GST would reduce airline costs and potentially lower ticket prices, though it would require Finance Commission/GST Council consensus.

UPSC RELEVANCE

DGCA (Directorate General of Civil Aviation), ICAO (International Civil Aviation Organization), Chicago Convention 1944, Bharatiya Vayuyan Adhiniyam 2024, Aircraft Act 1934, UDAN scheme (2016, Ude Desh ka Aam Nagrik), ATF (Aviation Turbine Fuel), IndiGo (63-65% market share), Air India (Tata acquisition 2022), MRO (Maintenance Repair Overhaul), Open Sky Policy 1990-94, Air Corporations Act 1953.

*Regulatory bodies (DGCA); government policies — UDAN; civil aviation sector reform; centre-state relations (ATF taxation). **GS-3:** Infrastructure development — aviation; industrial policy; competition law and market concentration; logistics and connectivity.*

★ FACTS CORNER — KNOWLEDGEPEDIA

INDIA AVIATION MARKET DATA:

Global rank: **3rd-largest domestic aviation market** (after USA and China)

Global air traffic share: **4.2%** | Fleet share: **2.4%**

Airports: 74 (2014) → **163 (2025)**; target 350-400 by 2047

Projected demand: **715 million passengers/year by 2030**; ~1.1 billion by 2040

GDP contribution: **1.5%** | Jobs: **7.7 million**

MARKET CONCENTRATION:

IndiGo: **63–65%** market share; sole carrier on **60%** of domestic routes

Air India Group: **27–28%** | Combined duopoly: **~90%** of domestic traffic

Airline collapses: Kingfisher (2012), Jet Airways (2019), Go First (2023)

DGCA:

Vacancies: **~50%** of technical posts vacant

Safety notices 2025: **19** violations

Foreign pilot approvals 2025: **236** temporary approvals due to crew shortage

BHARATIYA VAYUYAN ADHINIYAM 2024:

Replaced: **Aircraft Act, 1934** (90-year-old colonial law)

Aligned with: **ICAO** standards and **Chicago Convention 1944**

New provisions: **UAS/drones** and **Advanced Air Mobility (AAM)**

Promotes: **Make in India** for aviation components and MRO

UDAN SCHEME:

Full form: **Ude Desh ka Aam Nagrik** (2016)

Routes: **625** | Airports: **85** operationalised by 2025

Northeast routes: **100+**

Mechanism: Viability Gap Funding (VGF) for unviable regional routes

ATF TAXATION:

ATF share of airline costs in India: **40–45%** (vs. global avg. 25–30%)

Not under GST — state VAT up to 25% in some states

OTHER RELEVANT FACTS:

Air Corporations Act 1953: Nationalised nine airlines; ended with Air India/Indian Airlines monopoly era

Open Sky Policy (1990–94): Ended state monopoly; allowed private carriers

Tata Sons acquired **Air India** in January 2022 (through auction process)

ICAO: International Civil Aviation Organization; UN specialised agency; **Chicago Convention 1944** is foundational treaty

India + 192 ICAO member states; Chicago Convention in force since April 4, 1947

Sources: Drishti IAS, Next IAS

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