India's Aviation Sector

Mains: *GS-III – Economy | Infrastructure*

Why in News?

The past year was marked by sustained turbulence in India's civil aviation sector, with a series of breakdowns from the June 2025 Ahmedabad crash to mass cancellations and prolonged flight delays generating unrest, not only among stranded passengers, but across the aviation market at large.

What is the current state of India's commercial aviation sector?

- India is now the world's ***third-largest domestic*** aviation market, operating over 840 aircraft.
- **Passenger traffic** – It has hit record highs, with over 350 million travelers annually, projected to reach 715 million by 2030.
- **Market Growth** – The market is projected to rise from $15 billion in 2025 to $25 billion by 2030, with passenger numbers growing at a 15% year-on-year rate.
- **Infrastructure Expansion** – Operational airports have increased from 74 in 2014 to around 163–164 in 2025/2026, with plans to reach 350-400 by 2047.
- **Expansion beyond metros** – Tier-2 and Tier-3 cities are increasingly connected, boosting tourism and cargo movement.
- **Investments –** 100% FDI is permitted for greenfield projects, and 74% for brownfield projects, with 100% tax exemption for airport projects for 10 years.
- **New entrants –** Till now there is a duopoly (IndiGo & Air India group), the Ministry of Civil Aviation issued NOCs for three new airlines — Shankh Air, Al Hind Air, and FlyExpress.
- These new entrants aimed at enhancing regional connectivity and serving previously unattended routes, that offer a ray of hope for de-concentration and improved regional connectivity, particularly under the UDAN scheme.

What are the Key Challenges in India's Aviation Sector?

- **Operational Failures –** Multiple breakdowns in 2025, including the Ahmedabad crash, December 2025 IndiGo disruption and mass cancellations & delays, etc., exposed systemic fragility, not just airline-specific issues.
- **Pilot Shortages** – IndiGo's *pilot-to-aircraft ratio of roughly 14*, is below the global benchmark (18–20), this mismatch exposed the limits of an operating model calibrated for sustained high utilisation.
- **Training Constraints** – Trainer shortages and limited simulators restrict pilot

training capacity.
- The regulatory bottlenecks and high training costs make pilot supply relatively inelastic.
- **Intensified demands for pilots** – Parliamentary disclosures estimate a requirement of *7,000 pilots* between 2024 and 2026, rising to 25,000-30,000 over the next decade, but the DGCA has issued only the over 5,700 Commercial Pilot Licences (CPL) between 2020 and 2024.
    - **Industry norms** – 15–16 pilots needed per narrow-body aircraft, but the current supply falls short of this benchmark.
- **Stopgap Measures** – Airlines have increasingly relied on foreign aircrew, with around 236 temporary approval licences issued in 2025, however, these remain a limited and costly short-term solution.
- **Staff Shortfall –** Nearly half of the DGCA's sanctioned technical positions remain vacant even as fleet size and passenger volumes expand.
- **Regulatory Weakness** – Recent disruptions have been managed through schedule exemptions *rather than strict enforcement*, reflecting a *shift towards ad hoc crisis management* and underscoring deeper fragilities in India's aviation oversight framework
- **Duopoly Under Pressure** – With repeated failures of significant scale and frequency, the outlook for India's aviation duopoly (IndiGo and the Air India group) has turned bleak, as both brace for heavy losses and sharply declining profits.
- **Market Concentration –** The degree of concentration in India's domestic aviation market materially alters both the nature of competition and the system's operational resilience.
    - **IndiGo** controls approximately 63%-65% of domestic passenger traffic & **Air India** group accounts for 27%-28% (DGCA data for 2024-25).
    - Together, they form a duopoly controlling *nearly 90% of the market.*
- **Airline Disruptions** – The disruptions of dominant airlines lead to a contraction in aggregate capacity rather than a redistribution of passengers to competing carriers.
- **IndiGo's Market Position** – IndiGo operates as the sole carrier on *about 60.4% of all routes*, whose operational decisions have direct implications for national connectivity, fare stability, and service continuity.
- **New Entrants & Risks** – The emergence of new regional players receiving No Objection Certificates (NOCs) demands regulatory caution.
- Without targeted structural reforms, these entrants may only spread existing weaknesses rather than absorbing shocks or easing the sector's mounting operational strain.
- **Past failures** – Paramount Airways (2010), Kingfisher Airlines (2012), Jet Airways (2019), TruJet (2022), Go First (2023) and Vistara (2024).
    - **Driven by –** Intense cost competition, weak demand in smaller markets, poor management, and infrastructural limitations at regional airports.
- **Volatility of Aviation Turbine Fuel (ATF) prices** – It is a persistent structural challenge, the price of ATF are closely tied to the U.S. dollar, exposing airlines to global market fluctuations.
- **Safety Concerns** – By late 2025, the DGCA had issued 19 safety violation notices citing breaches of FDTL norms, lapses in quality assurance, unauthorised cockpit access, and aircraft operated with expired emergency equipment.

- **Lack spare crew capacity** – Globally, airlines maintain 20-25% spare crew capacity to absorb shocks; Indian carriers operate at near-total utilisation, allowing minor disruptions to cascade across networks.

What lies ahead?

- With India accounting for 4.2% of global air traffic, and domestic demand set to rise sharply by reaching 715 million by 2030, failure to address these constraints risks converting India's aviation growth into a recurring crisis borne ultimately by passengers.
- For emerging players to survive and contribute to market de-concentration, active policy support beyond initial NOCs will be essential.
- **Key Measures** – Includes the effective implementation of UDAN subsidies, preferential slot allocation at congested airports, coordinated development of Tier-2 and Tier-3 airport infrastructure, and potentially fuel hedging mechanisms or tax relief on ATF to offset price volatility.

Reference

[The Hindu | A reckoning for India's aviation sector]

SHANKAR IAS PARLIAMENT
Information is Empowering