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COVER STORY/AVIATION SECTOR

Mid-air Fallout

The Air India tragedy exposes cracks in India's aviation boom



Turbulent Times Air India planes at the Mumbai airport

GETTY IMAGES



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JUNE 12, 2025 began as an ordinary day for Indians until the nation of 1.4 billion people found itself glued to its television and smartphone screens to witness the horrors of the London-bound Air India 171 plane crash. Air India's Boeing 787-8 Dreamliner, which crashed within seconds of taking off, led to the death of over 250 people.

The tragedy has exposed deeper fractures beneath the surface of India's aviation boom. It has raised concerns over whether the stakeholders in the third-largest aviation market, including the government and the airlines, gave precedence to scale and size over safety and security.

India's aviation market is set to grow at 12.03 per cent CAGR (Compound Annual Growth Rate) from \$14.78 billion in 2025 to \$26.08 billion in 2030, according to a study by market research firm

CONSIDERING THAT THE AIR INDIA INCIDENT INVOLVED COLLATERAL FATALITIES, INCLUDING LIVES LOST AT THE IMPACTED MEDICAL COLLEGE, THE OVERALL ESTIMATED LIABILITY FROM THE CRASH IS LIKELY TO BE AROUND RS 350-400 CRORE, DEPENDING ON THE FINAL NUMBER OF CLAIMANTS.

Mordor Intelligence. The aviation boom in India has also fuelled the growth of many sub-businesses within the broader industry, including airlines, airports, cargo, Maintenance, Repair and Overhaul (MRO) services and ground handling services.

But experts have pointed out that as the size and scale of the aviation market attracted stakeholders, safety and security in air travel seem to have taken a back seat. Mark D. Martin, the founder and CEO of Martin Consulting, said that Air India, for the past five years, has been defying the law as the airline continued operations with major maintenance-related issues unaddressed. Problems like broken seats, malfunction of the ground air conditioning system, vibration in engines and issues with flight controls, fuel pumps and outflow valves have plagued the airline for quite a few years now, Martin added.

“What the Tata Group did with Air India is rebranding. It's like a lady who has a severe heart attack. She goes to the hospital for treatment. Instead of doing a bypass or inserting a stent in her heart, the doctor gives her a manicure, a new hairstyle, a new dress and you send her home,” said Martin.

Experts have pointed out that the underlying issues may run far deeper—rooted in years of structural neglect and operational strain.

The query sent to Air India didn't receive any response till the time of publication.

Pragya Priyadarshini, Managing Director-Aviation and Ports Lead, Primus Partners, said that the Ahmedabad plane crash has opened a Pandora's box to a mix of technical and operational challenges, including aircraft maintenance, punctuality and crew shortage that Air India has been grappling with for several years now.

“The Air India Engineering Services Ltd (AIESL), though equipped with certified facilities, continues to operate as a separate public sector company, but leading to coordination gaps and slower turnaround times for aircraft maintenance,” said Priyadarshini. The Tata Group airline's on-time performance has hovered around 66-67 per cent, well below the industry average of 80 per cent, affecting customer perception and service quality, she added.

While Air India was privatised in 2022, its subsidiaries, including AIESL, remain under government ownership. The company provides MRO services to Air India, including line and base maintenance, engine overhaul, structural repairs, cabin and seat repair facility.

Ripple Effect

The accident has also added trouble for the aviation insurance industry, as the Ahmedabad plane crash is expected to significantly harden the aviation insurance and reinsurance market, both domestically and internationally.

Rohit Boda, Group Managing Director, J B Boda Group, said that under the Montreal Convention, Air India may be liable to pay a fixed compensation of approximately Rs 1.3 crore per deceased passenger.

Considering the incident involved collateral fatalities, including lives lost at the impacted medical college, the overall estimated liability from the crash is likely to be around Rs 350-400 crore, depending on the final number of claimants and applicable legal outcomes, he said.

“The incident is likely to give rise to more problems for the insurance industry, higher premiums, stricter underwriting, and increased scrutiny, especially for wide-body aircraft operating in Asia,” he added.

In the short run, the increase in insurance premiums is unlikely to pinch passengers' pockets as airfares are unlikely to rise.

“Insurance is just 0.1 per cent of the operating cost of an airline. Increase in insurance costs is therefore unlikely to cause an increase in airfares,” said Hari Radhakrishnan, an expert at the Insurance Brokers Association of India (IBAI).

Government's Big Bet

Although the sector witnessed major growth in terms of the entry of new players in the airline industry post-1991 liberalisation, privatisation and globalisation reforms, a major push came after the government introduced the National Civil Aviation Policy in 2016. The policy outlined the government's bold vision to enable 30 crore domestic ticketing by 2022 and 50 crore by 2027, fuelled by its growing middle class.

India's aviation infrastructure is projected to grow at four per cent CAGR from \$103.41 billion in 2025 to \$125.81 billion in 2030, with players like the GMR Infrastructure, the Adani Group and L&T Construction pinning their hopes on the sector's growth, a Mordor Intelligence study stated.

The 2016 policy didn't just chase numbers, it adopted a "zero-tolerance policy" for safety violations, giving the Directorate General of Civil Aviation (DGCA) a free hand as an aviation watchdog. The DGCA, as the principal aviation regulator, is responsible for maintaining air safety through aircraft certification, regular audits, crew licensing and enforcement of safety regulations.

Although the policy is a positive step in the right direction, experts feel the DGCA has been soft in its approach, particularly as India's oldest airline, despite multiple violations, seems to not have taken the lesson from the regulator onboard. Highlighting the challenges with the DGCA, Priyadarshini said the regulator has a manpower shortage within the organisation, with several sanctioned positions remaining unfilled.

"The manpower shortage can affect the regulator's ability to carry out timely inspections and provide consistent oversight, particularly as India's aviation sector continues to grow," she emphasised.

The Boeing-Airbus Duopoly

India is the fastest-growing aviation market and the country's domestic air passenger traffic is expected to reach 300 million by 2030. This demand has driven Indian airlines, including Air India and Indigo, to expand their fleet size. Air India has placed an order for 570 aircraft, consisting of Boeing and Airbus, as part of a five-year transformation roadmap after coming under the Tata Group. But due to global supply chain disruption driven by the United States and European markets, mainly after the Covid-19 pandemic, manufacturers have struggled with deliveries.

Besides market uncertainty, the American aircraft maker has faced intense regulatory scrutiny by the US Federal Aviation Administration (FAA) due to safety concerns with its aircraft like Boeing 737 Max 9 and Boeing 737 Max jet. In early 2024, an Alaska Airlines Boeing 737 MAX 9 experienced a mid-air door plug blowout, which led to the model's temporary grounding and triggered global inspections. Whistleblowers also raised serious allegations about Boeing's manufacturing processes and safety culture, leading to lawsuits filed by both shareholders and the US government.

As per a May 2025 filing, the firm agreed to pay \$1.1 billion to avoid prosecution over two fatal crashes involving the 737 MAX in 2018 and 2019, that killed 346 people.

Meanwhile, the European aircraft manufacturer Airbus, too, has been dealing with persistent specific supply chain issues, especially in engines, aerostructures and cabin equipment. The delayed deliveries by the two makers, who enjoy a duopoly in the global aircraft manufacturing

industry, have held back global aviation growth, including that of Indian airlines like Air India.

Hence, the mismatch of demand and supply has mounted more trouble for the Air India Group.

The Flip Side of the Boom

While the government took pride in its aviation infrastructure push and the number of airports it has added to the country, the Tata Group airline, which made its homecoming in 2022, has been up for a 'makeover' with significant focus on fleet expansion. But the June 12 crash seems to have resurfaced the overlooked side of India's aviation market boom. Unless the stakeholders collectively address the cracks in India's aviation sector, a boom is unlikely to fully materialise.

While the DGCA holds its own significance for the sector, former General Manager, Airports Authority of India (AAI), Gurmukh Singh Bawa, highlighted the need for an ombudsman in the aviation sector to ensure fair and transparent resolution of passenger complaints. He mentioned the country needs to improve compliance with International Civil Aviation Organisation (ICAO) standards on investigation procedures and implement recommendations from past incidents more effectively.

"In India, while there isn't a dedicated aviation ombudsman, the existing regulatory framework and consumer protection mechanisms can be leveraged to establish one," said Bawa.

Senior Aviation Consultant, Frost & Sullivan, Shantanu Gangakhedkar said that the watchdog has been constantly improving, as evident from the improving safety score evaluated by the ICAO. It needs to tighten its grip to ensure violations remain an exception, and it doesn't become a norm for airlines.

Experts point out that to make Air India a world-class airline, the Tata Sons chairman, N Chandrasekaran, needs to chase both quality and quantity. Priyadarshini said, in the light of the recent incident, immediate priority should be given to demonstrate a strong, safety-first culture while continuing its broader transformation needs.

"Air India must proactively demonstrate its commitment to safety by swiftly carrying out DGCA-mandated enhanced inspections on critical systems such as flap mechanisms, landing gear, and hydraulic controls across its entire fleet," the MD-Aviation and Ports Lead, Primus Partners, stated. In the longer run, the salt-to-power conglomerate airline will need to fast-track recruitment across key areas such as pilots, cabin crew, engineers and ground staff to address capacity gaps and operational reliability, she added.

For Chandrasekaran and the Tata Group, the challenge now is not just to modernise Air India, but to rebuild trust—internally, with staff and systems, and externally, with passengers and regulators. For the sector as a whole, the path forward will depend on whether this tragedy becomes a turning point—or just another missed warning. 