

GENERAL STUDIES III

Duopolies in India: Telecom, Food Delivery & Aviation | UPSC

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Why do a few firms dominate India's telecom, food delivery, and aviation market? Explore market concentration, consumer impacts, and competition policy for UPSC. This article distinguishes duopoly from oligopoly and examines the benefits, risks, and regulatory responses.

Telecom, Food Delivery and Aviation: Understanding India's Duopoly Debate

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Mobile connectivity, app-based food ordering and air travel increasingly raise a common economic question: what happens when a small number of firms account for a large share of a market? Concentration can support investment and efficiency, but it also makes competitive pressure and consumer protection especially important.

UPSC relevance: GS Paper III — markets, infrastructure, investment and inclusive growth; GS Paper II — regulation and statutory institutions.

Accuracy note: These sectors are discussed as examples of two-firm dominance or concentrated oligopoly. Smaller competitors remain, so "duopoly" should not be interpreted as an assertion that exactly two firms operate in each market.

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1. What Is a Duopoly?

A duopoly is a market structure in which two sellers account for the market in its strict form. In wider policy discussion, the term sometimes describes a market where two firms dominate while smaller rivals remain.

An oligopoly has a small number of significant sellers. Its defining feature is strategic interdependence: each major firm considers how rivals may respond to changes in prices, investment or services.

Basic market structures

Structure	Main characteristic
Monopoly	One seller in the relevant market
Duopoly	Two sellers, or two leading firms in broader descriptive usage
Oligopoly	A few significant sellers whose decisions are interdependent
Monopsony	One buyer in the relevant purchasing market

2. Telecom: Scale and Financial Strength

Reliance Jio and Bharti Airtel are central to the discussion of concentration in Indian mobile services. Vodafone Idea and public-sector operators remain relevant competitors, so the market is not a strict duopoly.

Telecom requires substantial spending on spectrum, networks, maintenance and technology upgrades. Operators with larger customer bases can spread these costs across more users.

What should be measured?

- Total subscribers versus active subscribers.
- Revenue share versus subscriber share.
- Wireless services versus fixed broadband.
- National presence versus individual service areas.

A firm's share can differ across these measures. Any numerical comparison should specify its date, segment and source, using TRAI's relevant series.

3. Food Delivery: Platform Network Effects

Zomato and Swiggy are the principal examples in the debate about concentration in app-based restaurant discovery, ordering and delivery. Direct restaurant ordering and alternative services also exist.

The relevant market must be examined carefully. App-mediated restaurant delivery is not automatically equivalent to the entire restaurant industry, grocery delivery or all food consumption.

Why scale matters

A platform with more customers may attract more restaurants. Greater restaurant choice may attract additional customers. Higher order density can also improve delivery coordination.

These indirect network effects can strengthen leading platforms. However, customers and restaurants may use several platforms, which can preserve competition.

Questions for competition analysis

- Are commissions and promotional charges transparent?
- Can restaurants reach customers through alternative channels?
- Are rankings and sponsored placements clearly distinguished?
- Do contractual restrictions obstruct rival platforms?

These are issues for evidence-based assessment. They should not be presented as findings of unlawful conduct against a named business without a relevant decision.

4. Aviation: Two Leading Groups and Route-Level Competition

IndiGo and the Air India Group are the leading names in discussions of concentrated domestic scheduled passenger aviation. Other carriers remain active.

Aircraft acquisition or leasing, maintenance, trained personnel and airport access create significant entry requirements. Scale can support wider networks and operational efficiency.

National passenger share alone does not establish the competitive conditions on every route. A city pair may have several airlines, limited frequencies or only one practical option at a desired time.

International aviation also involves foreign airlines and bilateral traffic rights. Domestic market shares should not be treated as shares of all air travel.

5. Why Do Markets Become Concentrated?

- **Economies of scale:** Average costs may fall as output or customer numbers increase.
- **High sunk costs:** Entrants may incur expenses that cannot be recovered if they exit.
- **Network effects:** Participation on one side of a platform can attract users on another side.
- **Access constraints:** Spectrum, airport capacity or essential infrastructure can limit expansion.
- **Capital availability:** Financially stronger firms can sustain investment and withstand downturns.
- **Mergers and exits:** Consolidation and business failure can reduce the number of significant competitors.

6. Potential Benefits of Concentration

Larger firms may finance costly networks, improve service coverage and achieve operational efficiencies. Scale can support innovation, investment and consistent service delivery.

Merger-related efficiencies may also be relevant. Their significance depends on whether they are credible and whether customers benefit.

7. Risks for Consumers, Workers and Businesses

A. Reduced competitive pressure

Where entry is difficult, firms may face weaker incentives to reduce prices or improve quality. Consumers may struggle to switch if alternatives are limited.

B. Greater dependence

Restaurants, service providers and workers may become dependent on a small number of intermediaries. This can weaken their negotiating position.

C. Barriers to future innovation

Exclusionary restrictions or discriminatory access can make entry harder for innovative rivals. Strong incumbents can also innovate, so market size alone cannot establish this outcome.

D. Resilience concerns

When essential services depend on a few providers, a major outage or operational disruption can affect many users simultaneously.

Important distinction: Similar prices or simultaneous price changes do not by themselves prove a cartel. Common costs, demand conditions and lawful competitive responses can produce similar outcomes.

8. How Is Concentration Measured?

Two-firm concentration ratio

The CR2 is the sum of the market shares of the two largest firms. If their shares are 45% and 35%, CR2 equals 80%.

Herfindahl–Hirschman Index

The HHI is calculated by adding the squared market shares of all firms. Using percentage shares, a hypothetical market split equally between two firms has an HHI of 5,000.

These indicators describe structure, not illegality. Meaningful analysis also considers entry barriers, buyer power, switching and the relevant market.

9. Competition Law and Sector Regulation

The Competition Commission of India administers the Competition Act, 2002. Its responsibilities include examining anti-competitive agreements, abuse of dominance and combinations that meet the applicable review requirements.

- **Section 3:** Addresses anti-competitive agreements, including cartel conduct.
- **Section 4:** Prohibits abuse of a dominant position.
- **Combination review:** Assesses the competitive effects of covered mergers and acquisitions.

Dominance itself is not prohibited. Establishing abuse requires analysis of the relevant market, the enterprise's position and the conduct concerned. Two leading independent firms should not automatically be treated as one dominant enterprise.

Sector regulators have distinct responsibilities. TRAI addresses telecom regulation, while DGCA primarily oversees aviation safety and related operational regulation. Their roles should not be confused with CCI's competition mandate.

10. Way Forward

1. **Preserve contestability:** Reduce unnecessary entry barriers without weakening safety or service standards.
2. **Review mergers carefully:** Examine efficiencies alongside risks to competition.
3. **Improve transparency:** Make charges, rankings and contractual conditions easier to understand.
4. **Support switching and multiple channels:** Reduce avoidable dependence on a single provider.
5. **Strengthen enforcement:** Investigate exclusionary agreements and abusive conduct using reliable evidence.
6. **Coordinate institutions:** Align competition analysis with sector expertise while respecting statutory responsibilities.
7. **Measure outcomes:** Track affordability, quality, innovation, resilience and business access.

11. UPSC Prelims Practice

Consider the following statements:

1. A high two-firm concentration ratio automatically establishes an illegal cartel.
2. The Competition Act prohibits abuse of dominance rather than dominance itself.
3. National market shares may conceal differences in competition across individual aviation routes.

Which statements are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

[View answer and explanation](#)

Correct answer: B. 2 and 3 only. Concentration is a structural indicator, not automatic proof of collusion. Competition law distinguishes dominance from abuse, and route-level aviation conditions may differ from national patterns.

12. UPSC Mains Practice

Question: "Concentration in India's telecom, food delivery and aviation sectors requires regulation that preserves both investment incentives and competitive markets." Discuss. (250 words)

- Define duopoly and concentrated oligopoly.
- Explain scale, network effects and entry barriers.
- Discuss efficiency benefits and risks of market power.
- Distinguish concentration from unlawful conduct.
- Recommend contestability, transparency and effective enforcement.

Conclusion

The central policy question is whether markets remain open to effective rivalry and whether consumers benefit from efficiency and innovation. India needs strong competition institutions, capable sector regulation and careful assessment of conduct alongside market structure.

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