

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
RAJYA SABHA
UNSTARRED QUESTION NO : 4014
(TO BE ANSWERED ON THE 3rd April 2018)

UPPER LIMIT IN PRICING OF AIR TICKETS

4014. SHRI BHUBANESWAR KALITA

Will the Minister of CIVIL AVIATION be pleased to state:-

- (a) whether it is a fact that Government is aware of rampant exploitation by various Airlines in over charging ticket prices around festive seasons;
- (b) whether it is also a fact that Government has not taken a serious note on the matter despite specific recommendation by the concerned Standing Committee of Parliament;
- (c) if so, the reasons therefor; and
- (d) whether Government would now seriously consider fixing an upper limit in pricing of the air ticket for every sector in the country?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION

(Shri Jayant Sinha)

(a) to (c): With the repeal of Air Corporation Act in March 1994, the airfare approval process was dispensed with by the Government. At present, airfares are neither controlled nor approved by the Government. Airlines are free to fix the reasonable tariff under the provision of Sub-rule (I) of Rule 135, Aircraft Rules 1937 having regard to all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff

The airline pricing system runs in multiple levels (buckets or RBDs) which are in line with practice being followed globally. The prices are fixed by airlines keeping in mind the market, demand, seasonality and other market forces. The airfare increases with increases in demand of seat as the lower fare buckets get sold out fast when bookings are offered by airlines. Some of the airlines have introduced Apex-90, in addition to existing advance purchase schemes of 60 days, 30 days, 14 days etc., in which highly discounted fares being offered which would entail travelling even during peak seasons on low fares. The fare structures stated above have been displayed by airlines on their websites. The airlines are compliant to the Sub Rule (2) of Rule 135 of the Aircraft Rules, 1937 as long as fare charged by them is in line with fare displayed on their website.

(d): Competition Commission of India (CCI) in its order dated 06.03.2012 on fixing of Maximum Retail Price (MRP) for airfares has also stated that CCI cannot give direction to the Government to fix MRP of a service being provided by private entrepreneur and that the same will be contrary to the spirit of competition law. CCI has also stated that the forces of demand and supply govern airfares.