

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 4802
(To be answered on the 30th March 2017)

REGULATION OF AIR FARE

4802. ADV. NARENDRA KESHAV SAWAIKAR
SHRI SUNIL KUMAR MONDAL
SHRI PANKAJ CHAUDHARY
DR. SWAMI SAKSHIJI MAHARAJ

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether sudden surge in air fares have come to the notice of the Government and if so, the details thereof;
- (b) whether Competition Commission of India (CCI) has taken note of it and have started investigation into the matter;
- (c) if so, whether CCI has submitted any report to the Government in this regard;
- (d) if so, the action taken/proposed to be taken by the Government to keep the prices of airlines tickets under control;
- (e) whether the airlines are charging high air fares despite the decline in crude oil price at world level; and
- (f) if so, the reasons therefor and the steps taken by the Government to regulate air fare in the country?

ANSWER

Minister of State in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री

(Shri Jayant Sinha)

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- (a): Airlines adopt dynamic pricing by changing prices often depending on the day of the week, time of the day, and number of days before the flight factoring in different components such as, how many seats a flight has, departure time, and average cancellations on similar flights. Dynamic pricing plays a crucial role in determining how airlines improve their revenue per flight. Airlines are required to fix the reasonable tariff under the provision of Sub-rule (1) 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.
- (b) to (d): In a matter on charges of arbitrary high airfare, the petition filed with Competition Commission of India (CCI) in the matter of Case No. 68/2012 for issue of direction to Directorate General of Civil Aviation (DGCA) and Secretary, Civil Aviation to fix Maximum Retail Price (MRP) for airlines, CCI has stated in their Order that the Commission cannot give direction to this effect. In fact that will be contrary to the spirit of competition law. Today, the forces of demand and supply

govern the air fares. Order of CCI is placed at Annexure-1.

(e) & (f): No such analysis have been carried out by this Ministry.

With regard to regulation of airfare, it is stated that the provision of tariff approval was dispensed with by the Government with the repeal of Air Corporation Act in March, 1994.

Airlines are required to fix the reasonable tariff under the provision of Sub-rule (1) 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.

Airlines remain compliant to the to the regulatory provisions of Sub-Rule 2 of Rule 135 as long as the fare charged by them does not exceed the fare established and displayed on their website.

In accordance with Sub-Rule 4 of Rule 135, the Director-General upon being satisfied can issue directions to air transport undertaking if it is established that the air transport undertaking is engaged in excessive or predatory tariff under Sub-Rule (1) or has indulged in oligopolistic practice.

COMPETITION COMMISSION OF INDIA

Case No. 68/2012

Dated: 06/03/2013

Mr. Manjit Singh Sachdeva,
East Patel Nagar, New Delhi.

Informant

Director General, Directorate General of Civil Aviation
Government of India, New Delhi

Opposite Party-1

Secretary, Ministry of Civil Aviation
Government of India, New Delhi

Opposite Party-2

Order Under Section 26(2) of the Competition Act, 2002

The informant in this case has approached the Commission alleging that OP-1 and OP-2 being the regulator of Aviation sector have not evolved a pricing policy of air tickets like Indian Railway and State Transport Corporations so as to fix MRP of air fares to be charged from the passengers for service offered by various airlines. Because of this, various airline operators were charging arbitrarily high airfares from the consumers. It is alleged that OP-1 gave an uncalled for liberty to airlines to fix their own fares and thus they were arbitrarily and whimsically fixing air fares from time to time. This was contrary to the known principles of law. He wanted the Commission to intervene and pass an order directing OP-1 & OP-2 to fix MRP for airfares for the regular airlines and for non-frill airlines separately and carry out investigation in this respect, as it may deem fit.

2. The informant in this case has not made any of the airlines as a party to the case, neither it has alleged that there was any abuse of dominance by OP-1 or OP-2. He had made general allegations about liberty being given to airlines for fixing airfares from time to time and as a result of which he alleged that airlines were fixing airfares arbitrarily.

3. The information does not raise any competition issue. The Commission can neither go into the issue of MRP i.e. what should be the MRP for any product or service and fix the MRP, nor the Commission can give direction to the Government of India that it should fix MRP of a service being provided by private entrepreneur. In fact that will be contrary to the spirit of competition law. Today, the forces of demand and supply govern the air fares. Whenever supply is more and demand is less, air fares fall and in lean season the airlines do decrease air fares. It is only when demand is more and supply is less that the airlines venture to increase the air fares. No competition issue has been raised by the informant. The matter deserves to be closed and is hereby closed under section 26(2) of the Competition Act.

4. The Secretary is directed to inform the parties accordingly.

Sd/-
(H.C. Gupta)
Member

Sd/-
(Geeta Gouri)
Member

Sd/-
(Anurag Goel)
Member

Sd/-
(M.L. Tayal)
Member

Sd/-
(Justice S.N. Dhingra) {Retd.}
Member

Sd/-
(Ashok Chawla)
Chairperson