

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 4426
(To be answered on the 22nd March 2018)

Cap on Air Fares

4426. SHRI G. HARI

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether the capping of air fares would lead to costlier travel for the majority of flyers, if so, the details thereof;
- (b) whether there has been criticism that the Directorate General of Civil Aviation (DGCA) has failed to protect the interest of the air passengers, if so, the details thereof;
- (c) whether the DGCA has received more than 10,000 complaints during the year 2017 in this regard and if so, the details thereof;
- (d) whether the pricing deregulation has allowed to bring down prices dramatically in India, making it one of the lowest fare markets in the world, if so, the details thereof; and
- (e) whether the Indian carriers follow globally accepted dynamic pricing practices and only between 1% and 2% of tickets are transacted at the highest fare basket, if so, the details thereof?

ANSWER

Minister of State in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री

(Shri Jayant Sinha)

(a) to (e): 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. Examination of the airfare data has indicated that

over the last three years, the average fares offered by scheduled domestic airlines on various routes have reduced by about 17%. Examination of airfare data has also indicated that about 2% of air tickets are sold in the highest fare bucket.

Further, Airlines are free 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.

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. Directorate General of Civil Aviation (DGCA) has not received any complaint substantiating capping of air fares.
