

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 2138
(To be answered on the 4th July 2019)**

REDUCTION OF FLIGHT FARE

2138. SHRI T.N. PRATHAPAN

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether the Government can reduce the flight fares to Rs. 2500 by 2022 under National Civil Aviation Policy and if so, the details thereof;
- (b) whether the import duties are high in aviation sector and the airline industry is incurring heavy losses and if so, the details thereof; and
- (c) the measures taken or proposed to be taken by the Government to save the declining airline industries?

ANSWER

Minister of State (IC) in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)

(Shri Hardeep Singh Puri)

(a): With the repeal of Air Corporation Act in March, 1994, the provision of air fare approval was dispensed with by the Government. 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. The airline pricing system runs in multiple levels [buckets or Reservation Booking Designator (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 increase 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 the fare charged by them is in line with fare displayed on their website. As per prevailing regulation, all scheduled domestic airlines are required to display route-wise and category-wise fares on their respective websites.

However, the issue of hike in airfare are brought to the notice of this Ministry from time to time. With a view to maintain transparency, Directorate General of Civil Aviation (DGCA) monitors airfares on certain routes selected on random basis to ensure that the airlines do not charge airfares outside the range declared by them. The fare monitoring analysis carried out in the recent past has shown that the airfares remained well within the fare bucket uploaded by the airlines on the respective websites.

(b) & (c) : Based on aviation industry representations regarding the impact of import duties applied on importables such as aircraft, engines, parts and consumables, applicable import duty rates have been revised and rationalized from time to time. Each airline prepares its business plan on the basis of its own market assessment and liabilities. Mobilizing financial resources and ensuring efficient operations as per business plan are the responsibility of the airline. However, the Government constantly responds to the needs and challenges faced by the airline industry from time to time and has taken several measures, including reduction of Central Excise Duty applicable on Aviation Turbine Fuel (ATF) from 14% to 11% w.e.f. 11th October 2018 and rationalization of GST provisions, with a view to revive the airline industry and ensure the sustainability and health of the industry.
