REPORT NO.

353

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON TRANSPORT, TOURISM AND CULTURE

THREE HUNDRED FIFTY THIRD REPORT

'Issue of Fixing of Airfares'

(*Presented to the Rajya Sabha on 10th August, 2023*)
(*Laid on the Table of Lok Sabha on 10th August, 2023*)

Rajya Sabha Secretariat, New Delhi
August, 2023 / Sravana, 1945 (Saka)

Website: https://rajyasabha.nic.in
E-mail: *rsc-tt@sansad.nic.in*

Hindi version of this publication is also available

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON TRANSPORT, TOURISM AND CULTURE

THREE HUNDRED FIFTY THIRD REPORT

'Issue of Fixing of Airfares'

(*Presented to the Rajya Sabha on 10th August, 2023*)
(*Laid on the Table of Lok Sabha on 10th August, 2023*)

सत्यमेव जयते

RAJYA SABHA SECRETARIAT
NEW DELHI

August, 2023 / Sravana, 1945 (Saka)

CONTENTS

*To be appended

COMPOSITION OF THE COMMITTEE
(2022-23)
(Constituted on 13th September, 2022)

1. **Shri V. Vijayasai Reddy - Chairman**

Rajya Sabha

2. Shri Mohammed Nadimul Haque
3. Shrimati S. Phangnon Konyak
4. Shri Jugalsinh Lokhandwala
5. Shri Manas Ranjan Mangaraj
6. Dr. Sonal Mansingh
7. Shrimati Rajani Ashokrao Patil
8. Shri A. A. Rahim
9. Dr. C. M. Ramesh
10. (*vacant*)*

Lok Sabha

11. Shri Anto Antony
12. Shri Ram Margani Bharat
13. Shri Tapir Gao
14. Shri Rahul Kaswan
15. Shri Ramesh Chandra Majhi
16. Shri Sunil Baburao Mendhe
17. Shri K. Muraleedharan
18. Shri S. S.Palanimanickam
19. Shri Chhedi Paswan
20. Shri Kamlesh Paswan
21. Shri Sunil Kumar Pintu
22. Shri Prince Raj
23. Shri Tirath Singh Rawat
24. Shrimati Mala Roy
25. Shri Rajiv Pratap Rudy
26. Shri Dushyant Singh
27. Shri Rajbahadur Singh
28. Shri Ramdas Chandrabhanji Tadas
29. Shri Manoj Kumar Tiwari
30. Shri Krupal Balaji Tumane
31. Shri Dinesh Lal Yadav "Nirahua"

SECRETARIAT

Shri Raghab Prasad Dash, Joint Secretary
Shrimati Monica Baa, Additional Director
Shrimati Subha Chandrashekar, Deputy Secretary
Shri Ranajit Chakraborty, Under Secretary
Shri Shrey Kansal, Secretariat Assistant

**Vacancy caused due to retirement of Shri Vinay Dinu Tendulkar w.e.f. 28.07.2023*

INTRODUCTION

I, the Chairman, Department-related Parliamentary Standing Committee on Transport, Tourism and Culture, having been authorized by the Committee to present on its behalf, do hereby present this Three Hundred Fifty-Third Report on 'Issue of Fixing of Airfares'.

2. The Committee heard the views of the representatives of various Private Airlines and the Association of Private Airport Operators (APAO), on the subject, on 5th April, 2023. The Committee also heard the views of the representatives of the Ministry of Civil Aviation, in its meeting held on 8th May, 2023. Further, the Committee once again heard the views of the representatives of various Private Airlines and the APAO, on the subject, on 29th May, 2023. The Committee also took up the issue during its Study Visit to Goa on 8th July, 2023 and held discussions with the Ministry of Civil Aviation.

3. The Committee wishes to express its thanks to the officers of the Ministry of Civil Aviation; various Private Airlines *viz.,* Air Asia, Air India, GoFirst, Indigo, SpiceJet & Vistara; and the Association of Private Airport Operators, for placing before the Committee, the material and information desired in connection with the subject and for clarifying the points raised by the Members.

4. The Committee considered and adopted the Report in its meeting held on the 9th August, 2023.

(V. Vijayasai Reddy)
Chairman,
Department-related Parliamentary Standing Committee on Transport, Tourism and Culture,
Rajya Sabha

NEW DELHI;
August 9, 2023
Sravana 18, 1945 (Saka)

ACRONYMS

AAI	Airports Authority of India
ACI	Airports Council International
ADF	Airport Development Fee
AERA	Airports Economic Regulatory Authority
AI	Air India
AIX	Air India Express
ANS	Air Navigation Services
AOG	Aircraft-on-the-Ground
APAO	Association of Private Airport Operators
ASF	Aviation Security Fee
ATF	Aviation Turbine Fuel
ATR	*Avions de transport régional* (Regional Transport Airplanes)
AVSEC	Aviation Security
BIAL	Bengaluru International Airport Limited
BRS	Baggage Reconciliation System
CAPEX	Capital Expenditure
CAR	Civil Aviation Requirements
CASK	Cost Available Seat Kilometre
CCI	Competition Commission of India
CGF	Cargo, Ground handling and supply of Fuel
CGST	Central Goods and Services Tax
CIAL	Cochin International Airport Limited
COVID	Coronavirus Disease
CP	Consultation Paper
CPGRAMS	Centralised Public Grievance Redress and Monitoring System
CPI-IW	Consumer Price Index-Industrial Workers
CRS	Central Reservation System
CSMIA	Chhatrapati Shivaji Maharaj International Airport
CUSS	Common Use Self Service
CUTE	Common Use Terminal Equipment
DARPG	Department of Administrative Reforms and Public Grievances
DF	Development Fee
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
FEGP	Fixed Electricity Ground Power
FSC	Full-Service Carrier
FY	Financial Year
GA	General Aviation
GHIAL	GMR Hyderabad International Airport Limited

GMR	Grandhi Mallikarjuna Rao
GSR	General Statutory Rules
GST	Goods and Services Tax
IATA	International Air Transportation Association
ICAO	International Civil Aviation Organization
ID	Identity
INR	Indian Rupee
IRCTC	Indian Railway Catering and Tourism Corporation
IT	Information Technology
KIAB	Kempegowda International Airport, Bengaluru
KL	Kilo Litre
KV	Kilo Volt
LCC	Low-Cost Carrier
MoCA	Ministry of Civil Aviation
MoD	Ministry of Defence
MoF	Ministry of Finance
MoT	Ministry of Tourism
MIAL	Mumbai International Airport Limited
MOPAG	Mean of Platts Arab Gulf
MRO	Maintenance, Repair and Operations
MT	Metric Tonne
MTOW	Maximum Take Off Weight
MYTP	Multi Year Tariff Proposal
NA	Not Applicable
NASFT	National Aviation Security Fee Trust
OEM	Original Equipment Manufacturer
OPEX	Operational Expenditure
PAX	Passenger
PHF	Passenger Handling Fee
PNR	Passenger Name Record
PSF	Passenger Service Fee
RBD	Reservation Booking Designator
RCS	Regional Connectivity Scheme
RMS	Revenue Management System
RP	Recommended Practice
SEBI	Securities and Exchange Board of India
SGST	State Goods and Services Tax
SOP	Standard Operating Procedure
SVPIA	Sardar Vallabhbhai Patel International Airport
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TMU	Tariff Monitoring Unit
TRF	Total Regulated Flight
UDAN	Ude Desh ka Aam Nagrik
UDF	User Development Fee
US	United States

USD	United States Dollar
UT	Union Territory
VAT	Value Added Tax
VGF	Viability Gap Funding

REPORT

Introduction

The Indian Civil Aviation sector has witnessed an exponential growth in passenger traffic over the past few years and a corresponding increase in the numbers of Airports, Aircrafts and flight routes. The Civil Aviation sector is set to grow at a fast pace in the next few years, since it is an area of focus for the Government. New domestic airports have been operationalised and air travel routes have also been initiated, with the launch of Regional Connectivity Scheme-'Ude Desh ka Aam Nagrik' (RCS-UDAN), which envisages to make air travel affordable for the common man. The growth in the Civil Aviation sector is contingent on the affordability of airfares, besides other factors. The fixing of airfares is an issue of cardinal importance for all major stakeholders - the Government, the airline industry as well as the common man.

2. In view of the significance of the subject, the Department-related Parliamentary Standing Committee on Transport, Tourism and Culture decided to take up the subject 'Issue of Fixing of Airfares' for examination and Report. To deliberate upon the various issues related to rationalisation of airfares, it was imperative to take into consideration the views of the various stakeholders viz., Ministry of Civil Aviation, various private airlines and Association of Private Airport Operators (APAO). The Committee, therefore, heard the Ministry of Civil Aviation on 8th May, 2023. The Committee also held discussions with various private airlines *viz.,* Air Asia, Air India, GoFirst, Indigo, SpiceJet & Vistara and APAO, in its meeting held on 5th April, 2023. The Committee once again heard the views of various private airlines *viz.,* Air Asia, Air India, Indigo, SpiceJet & Vistara and APAO, to seek clarifications on certain issues, in its meeting held on 29th May, 2023. During its Study Visit to Mumbai and Goa during 5th to 8th July, 2023, the Committee also discussed the issue of surge in airfares with the representatives of the Ministry of Civil Aviation in Goa on 8th July, 2023.

I

REGULATORY PROVISIONS

Airfare Regulations in the Past

3. The Ministry in its background note, informed the Committee of the following regulations on Airfares, that existed in the past:-

- The Air Corporations Act, 1953 contained the provision that the Corporations, with the previous approval of the Central Government, will determine and levy fares and freight rates and other charges for or in respect of the carriage of passengers and goods on air transport services operated by it.

- In August, 1975, Rule 135B of the Aircraft Rules, 1937 on changes in tariff of fares, rates and charges and production of records was introduced *vide* GSR 2386. It contained the provisions that no change shall be made in fares, rates and charges or in classifications, rules, regulations, practices or services affecting such fares, rates and charges or value of the services including any change in the terms or conditions of the commission payable to the passenger or cargo sales agents except after previous approval by the Director General. The application for such changes was required to be made to the Director General at least thirty days in advance for approval.

- On 24th March, 1994, with the repeal of Air Corporations Act, 1953, the above provision was dispensed with by the Government. The Indian domestic aviation was totally deregulated. Airlines were allowed to freely induct capacity with any aircraft type, select whatever markets and network they wish to service and operate and also fix any fares. However, Indian Airlines continued to approach the Government and obtain prior permission from the Ministry of Civil Aviation before affecting any fare increase in accordance with the Ministry's directive dated 31st August, 1998. Indian Airlines and Alliance Air were not required to comply with this requirement by the Ministry on 3rd May, 2001 and permitted to decide the fares based on dynamic and market-oriented pricing policy.

- In September, 2004, Rule 135 of the Aircraft Rules, 1937 was amended *vide* GSR 636 (E) and the above provision contained in Rule 135B was omitted. The provisions of the Rule 135 were then limited to having determination of fares for international air transportation having regard to all relevant factors, including the cost of operation, reasonable profit and the general prevailing tariff and upkeep of tariff records.

4. The Committee notes the Airfare regulations that existed in the past and observes that the Air Corporations Act, 1953 required the various airline corporations to seek approval of Central Government for fixing airfares. Thereafter, on 21st March, 1994, the

said Act was repealed and the Indian Domestic Aviation Sector was totally deregulated and the airlines had the freedom to fix airfares.

5. The Committee notes that as per the airfare regulations existing earlier, the airfares were fully regulated by the Government which had put in place a mechanism to keep airfares under check. Thereafter, deregulation of airfares effectively came into effect from 21st March, 1994 with the repeal of the Air Corporation Act, 1953 and the various airlines were free to fix airfares.

Existing Legal Provisions

6. On 16th April, 2009, *vide* GSR 254(E), Rule 135 was again amended to cover aspects for domestic air transport also and display of fare components. The Ministry also informed that at present, airfares are not controlled by the Government. Airlines offer fares at various levels which are demand driven based on market dynamics and as the demand goes up the seats on lower fare levels get filled. This is a global practice in the civil aviation sector and dynamic pricing defines the strategic framework. Day-to-day tactical changes in pricing are made to respond to demand/supply and market dynamics through the Inventory Management process of various airlines.

Rule 135 of the Aircraft Rules, 1937

7. The aforesaid Rule 135 of the Aircraft Rules, 1937, as amended on 16th April, 2009, as regards fixing of air tariff is as follows:-

> 135. Tariff – (1) Every air transport undertaking operating in accordance with sub-rule (1) and (2) of rule 134, shall establish tariff having regard to all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff.
>
> (2) Every air transport undertaking shall cause to be published the tariff established by him under sub-rule (1) in his website or two daily newspapers, and shall display such tariff in a conspicuous part of his office and in the office of his agent, if any.
>
> (2A) The tariff to be published under sub-rule (2) or advertised in any other way shall show the following particulars, namely:–
>
> (a) the total amount payable by a passenger; and
> (b) a complete break-up of the total amount, indicating the fare, tax, fees or any other charge, if any, separately.
>
> Explanation. – For the purposes of this sub-rule, –
>
> (a) tax means the amount payable to the Government; and

(b) fees means the amount payable to the service providers for provision of any service or facility to the passengers.

(2B) The particulars mentioned in sub-rule (2A) shall also be mentioned in the passenger ticket.

(3) Every air transport undertaking shall maintain all records relating to tariff established by him under sub-rule (1) in such manner and in such form as may be specified by the Director General, and on demand by the Director General shall produce such records before the Director-General for inspection.

(4) Where the Director-General is satisfied that any air transport undertaking has established excessive or predatory tariff under sub-rule (1) or has indulged in oligopolistic practice, he may, by order, issue directions to such air transport undertaking.

(5) Every direction issued under sub-rule (4) shall be complied with by such air transport undertaking.

8. The Committee notes the amendment in Rule 135 of the Aircraft Rules, 1937 on 16th April, 2009, which presently forms the basis of the legislation for airfare regulations. It also notes that as per the Rule 135(1), the airlines shall establish tariff, keeping in mind factors such as reasonable profit besides cost of operation, characteristics of service and generally prevailing tariff, to rationalise airfares despite its deregulation, consequent upon repeal of Air Corporations Act, 1953.

9. The Committee also observes that Rule 135(2) requires the publication of the tariff by the airlines on its website/ daily newspapers or displaying it conspicuously in their office/ or the agent's office. Further, Section 135(2A) requires the airlines to show the total amount payable by the passenger including the breakup such as taxes, fees for services/ facilities or other charges, which should be mentioned in the passenger ticket *vide* Rule 135 (2B).

10. The Committee notes another significant requirement in Rule 135(3), wherein every airline is required to maintain all records relating to tariff and the requirement to produce such records to Directorate General of Civil Aviation (DGCA) for inspection. The Committee observes that the aforesaid Rule provides for supervision and inspection of DGCA (Ministry of Civil Aviation) on air tariffs being fixed by the airlines.

11. Rule 135 (4) also empowers the DGCA to issue directions to airlines, if it is satisfied that the airlines have charged excessive/ predatory airfares or indulged in oligopolistic practice. Further, as per Rule 135 (5), the aforesaid directions of DGCA have to be compiled with by the airline concerned.

12. The Committee, therefore, observes that ever since the amendment made in Rule 135 of the Aircraft Rules, 1937 in April, 2009, sufficient legislative safeguards have been

made in the Aircraft Rules, 1937, to ensure that airfares are affordable and in case of any violation by the airlines, the Government can take action against the said airline regardless of the deregulation of the airfares, due to repeal of Air Corporation Act, 1953. The Committee calls upon the DGCA, Ministry of Civil Aviation to safeguard the interests of the air commuters by invoking the overriding powers vested on it in the Rules.

Power of DGCA to Regulate Tariffs

13. During its deliberations, the Committee enquired into the mechanism adopted by the Ministry to regulate tariffs, based on the Rule 135 of Aircraft Rules, 1937. The Ministry replied that Tariff Monitoring Unit (TMU), as set up by DGCA, monitors airfares on selected 50 routes on a random basis by using airlines websites on monthly basis to ensure that the airlines do not charge airfares outside the range declared by them. During unforeseen circumstances like floods, natural calamities, civil unrest, etc., the fares on the affected sectors are monitored to ensure compliance of prevailing regulations on airfare. The monitoring of airfares has revealed that all scheduled domestic airlines are displaying route-wise and category-wise fares on their respective websites in compliance to the applicable regulation. Airfares are monitored using airlines websites. The analysis has shown that the airfares remained well within the fare bucket uploaded by the airlines on their respective websites.

14. The Ministry further informed that an analysis of the monitoring of airfares showed that the percentage of tickets sold in the highest fare bucket on majority sectors is minuscule, barring a very few sectors which may be on account of seasonality and capacity constraints, etc.

15. The Ministry also apprised that while the Government no longer regulates the fares that are charged, it is ensured that considerable information is provided to the public in a transparent manner with respect to airline fares and DGCA Air Transport Circulars have been issued from time to time in this regard. Air Transport Circulars 05 of 2009; 02 of 2010; and 03 of 2013 are placed at **Annexure-I.**

16. During its deliberations, the Committee also enquired the reasons for not empowering DGCA to regulate tariffs based on the data generated by the Tariff Monitoring Unit and whether the Ministry proposes to empower DGCA to take necessary action (including regulating tariffs) in response to the data generated by it. The Ministry explained that as per Section 4 A of the Aircraft Act 1934, DGCA is primarily responsible for carrying out the safety oversight and regulatory functions in respect of matters specified in this Act or in the rules made thereunder. Further, with the repeal of Air Corporation Act, 1953 in March 1994, the process of airfare approval by Government has been dispensed with. As per the prevailing regulations, airfares are not regulated by the Government. Under the provision of Sub Rule (1) of Rule 135 of the Aircraft Rules, 1937, every air transport undertaking engaged in scheduled air services requires to establish tariff having regard to all relevant factors, including cost of operation, characteristic of services, reasonable profit and the generally prevailing tariff.

17. The Committee observes that DGCA has a Tariff Monitoring Unit that monitors airfares on certain routes at regular intervals to ensure that the airlines do not charge airfares outside a range declared by them. However, the DGCA does not have any power to regulate tariffs based on the data generated by the Tariff Monitoring Unit as the process of airfare regulation has been dispensed with, consequent upon the repeal of the Air Corporation Act, 1953.

18. The Committee notes that Section 135(3) of the Aircraft Rules, 1937 empowers the DGCA to inspect the records of tariff as produced by the airline operators and also empowers it to issue directions in case it has established excessive tariff [Section 135(4)]. The Committee observes that though Tariff Monitoring Unit of DGCA has been setup to maintain oversight, yet the airlines are charging excessively, leading to surge in airfares. The Committee recommends that the Ministry should evolve a mechanism to reconcile between 'tariff monitoring' by DGCA and 'deregulation of airfare' to tilt the balance in favour of empowering the DGCA to regulate air tariff as per Rule 135(3) and expanding its responsibility beyond monitoring tariff only. The Committee desires to know whether a Unit or Agency like Tariff Monitoring Unit (TMU) exists in other countries as well and mechanism adopted by them to regulate fares.

19. The Committee is also aware that the Securities and Exchange Board of India (SEBI), an autonomous body, has been setup for regulating the securities market and to protect the interest of investors. The Committee opines that on similar lines, the feasibility of setting up of a monitoring and controlling body under the Ministry of Civil Aviation may be examined, to monitor and keep a check on the surge in airfares to protect the interests of the commuting public. The Committee, therefore, recommends the Ministry to constitute a separate monitoring body like the SEBI, with quasi-judicial powers to enforce the collection of reasonable airfares from the passengers.

20. The Ministry also informed the Committee that the aviation sector is a capital intensive business and the airlines operate in an extremely competitive environment. The airline industry has to face unforeseen challenges to remain in business and it has been observed that many airline operators went out of business or had to close down their operations on account of continuous and unsustainable losses. A tabular statement giving operating profit/ loss of major scheduled Indian carriers during FY 2019-20 to FY 2020-22 is as follows:-

Airline	FY 2019-20	FY 2020-21	FY 2021-22
Air India	-46,603.0	-47,009.6	-36,937.1
AI Express	7,516.8	1,497.6	2,714.7
Alliance Air	654.6	-2,249.2	-1,354.3
Go Air	-4,816.7	-3,434.2	-8,364.9
Spice Jet	-5,079.3	-13,836.7	-22,167.4
Indigo	16,260.6	-51,931.0	-35,813.4

Air Asia	-8,130.9	-13,960.3	-18,102.9
Vistara	-15,632.8	-16,750.9	-12,544.5
Total	**-55,830.70**	**-147,674.30**	**-132,569.80**

Source: Directorate General of Civil Aviation

21. The Ministry, therefore, opined in its deposition before the Committee in its meeting held on 8th May, 2023 and also in written replies that the regulation of airfare is not desirable for the growth of aviation industry as a majority of Indian carriers have registered an operating loss during the last three years.

22. The Committee took exception to the Ministry's concluding remarks during the presentation and during their deposition in the meeting of the Committee held on 8th May, 2023, and their written replies that regulation of airfare is not desirable for the overall growth of the aviation sector. The Committee reiterates its view that passengers should receive a fair deal at all times and recommends that the Ministry should have a relook in its policy regarding regulation of airfare tariff in view of the sudden surge in airfares in normal times as also during disasters and calamities and take appropriate actions in consonance with the powers delegated to it under Rule 135 of the Aircraft Act, 1937.

23. The Ministry also apprised the Committee that under the provision of Sub Rule (1) of Rule 135 of the Aircraft Rules, 1937, every air transport undertaking engaged in scheduled air services are free to charge reasonable airfares as per their operational viability, subject to compliance to aforesaid rule. The airline pricing system runs in multiple levels (buckets or Reservation Booking Designators) 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 which would entail travelling even during peak seasons on low fares. The fare structures are displayed by airlines on their websites. The airlines remain compliant to the prevailing regulations as long as fares charged by them are in line with fare displayed on their website.

24. The Ministry also informed that currently, there is no provision under which Government is required to monitor the seat booking fees of airlines. The airlines sell tickets as per their respective distribution system, which is in line with the practice followed world-wide.

25. The Committee notes that presently airlines are free to charge reasonable airfares as per their operational viability subject to compliance of Rule 135(1) of the Aircraft Rules, 1937. Besides, currently, there is no provision under which Government is required to monitor the seat booking fees of airlines and the airlines sell tickets as per their respective distribution system, which is as per the global practice.

26. The Committee also observes that most of the airlines except AI Express had accumulated losses from FY 2019-20 to 2021-22.The Committee is aware that the Civil

Aviation Industry had suffered a major setback on account of Covid-19 pandemic and needs to recover its losses and regain its pre-pandemic level and then grow at an even faster rate to realise its set targets. As such, the Committee is of the opinion that a fine balance needs to be maintained so that the interests of the airlines as well as the passengers are kept in mind.

27. The Ministry also informed that, as per Section 13(1) (a) of Airports Economic Regulatory Authority (AERA) Act, 2008, AERA has a mandate to determine tariff for Aeronautical services provided by the Airport Operators at the 'Major Airports' only. AERA determines aeronautical charges of 'major airports' such as Landing, Parking, Housing, User Development Fees (UDF), etc. by considering the following factors:

(i) Return on investment
(ii) Operating Expenditure
(iii) Depreciation
(iv) Tax

28. The Committee notes that the Airports Economic Regulatory Authority (AERA) has a mandate to determine tariff for aeronautical services of Major Airports only, *vide* Section 13(1) (a) of the AERA Act, 2008. Since the tariff for aeronautical services is one of the components for airfares, the Committee desires to know how airfare is determined across Airports even though aeronautical service charges are applicable only to Major airports.

Reasonable Profit, Generally Prevailing Tariff and Mechanism followed for Fixing Airfares

29. The Committee enquired whether the Ministry of Civil Aviation has laid down any rules to ensure that airlines calculate 'reasonable profit' and 'generally prevailing tariff' in a fair and transparent manner. The Ministry clarified that with the repeal of Air Corporation Act in March 1994, the process of airfare approval by Government has been dispensed with. As per prevailing regulation, airfares are not regulated by the Government. Under the provision of Sub Rule (1) of Rule 135 of the Aircraft Rules, 1937, every air transport undertaking engaged in scheduled air services require to establish tariff having regard to all relevant factors, including cost of operation, characteristic of services, reasonable profit and the generally prevailing tariff. Airlines are free to charge airfares as per their operational viability. Government does not interfere either in commercial aspects of airline or fixing of airfare by them. Airlines remain compliant to the regulatory provisions of Sub-Rule 2 of Rule 135 as long as the fare charged by them does not exceed the fare bucket established and displayed on their website.

30. The Ministry explained that the term 'reasonable profit' is embedded under the provision of Sub-Rule (1) of Rule 135 of the Aircraft Rules, 1937, under the "Tariff". There is no separate rule or any other guideline defining 'reasonable profit' and 'generally prevailing tariff'. These words are understood as per the common understanding.

31. The Committee also enquired from the Ministry whether there is any mechanism to impose penalties on airlines in cases of overcharging. The Ministry explained that airfares are not regulated by the Government. The airfares are competitive in nature and are subjected to rules framed under the Competition Act, 2002 under the purview of the Competition Commission of India (CCI).

32. The Committee notes that though the term 'reasonable profit' is given under Rule 135(1) of the Aircraft Rules, 1937, yet there is no specific definition or Rule or any other guidelines to define it and these expressions are liable to be misunderstood, besides encouraging arbitrary actions. The Committee is of the opinion that the term 'reasonable profit' should be clearly defined in the Rules, taking into account various financial and operational factors, as it is the most significant aspect for controlling surge in airfares, which affects the common man.

33. The Committee also enquired from the various airlines during its meetings held on 5th April and 29th May, 2023 as to the methodology used by airlines to calculate the quantum of 'reasonable profit' and 'generally prevailing tariff, the minimum number of tickets needed to be sold on a particular route for airlines to break-even and beyond this break-even point, the mechanism for pricing tickets to maintain 'reasonable profit'. The Committee also sought information on the Capital Investment; Working Capital; Revenue Expenditure; Fixed Cost; Operating Expenditure; Net Income; and Profit/Loss, in respect of the airlines. The replies of the individual airlines are at **Annexure-II**.

34. The representative of Air Asia stated that profitability of any route is moderated by the natural demand – supply dynamics of that route. Most airlines in India have struggled to make any profits as a result of high competition between airlines resulting in low fares in the Indian market. Generally prevailing airfare tariff on a particular route is a result of the demand-supply balance. As regards, the minimum number of tickets needed to be sold on a particular route for airlines to break-even, the representative stated that the number of tickets to be sold on any route to achieve break-even ("Break-even Seat Factor") depends on the fares being charged and the cost of operations on that route. Therefore Break-even Seat Factor varies by route, seasonality and total demand-supply in the market and hence is difficult to ascertain a fixed number of seats for the break-even. Since most airlines in India have been unprofitable for most parts of their existence, the airlines are clearly not even able to achieve the break-even point. If one looks at the average fares realised in the market and compare them with the cost of the operations, the 'break-even seat factor' comes out to be an infeasible figure of greater than100%.

35. The representative of Air India informed the Committee that airlines globally work on a Cost Recovery Model rather than on a set target to achieve reasonable profit. The airline pricing is highly elastic. Pricing of air tickets by Air India is pegged against key competitors on the given route, keeping in view relative product strengths. Reasonable market fares have been formulated by Air India taking into consideration the underlying factors:

- Fares offered by competitors in a highly dynamic market.
- Product offerings,
- Seasonality (as per practice adopted by all airlines worldwide),
- Flight frequency, timings, direct / indirect operations, Product, Competitors' activities, Traffic Flows.
- Market demand

36. Further, the minimum number of tickets to be sold depends on cost of operation based on type of equipment and also price of ticket. The number of tickets required to be sold can, therefore, vary by market demand, seasonality, prevalent fares and product offerings. Air India operates many routes which are for building future demand and in this case, they generally incur losses irrespective of number of tickets sold. Hence, currently no such system exists in Air India.

37. The representative of GoFirst stated that 'reasonable profit', is to recover all cost related to running the flight operations both variable and fixed nature. "Generally prevailing tariff" are the fares at market driven demand at which the tickets are sold in advance through the 365 days window. They added that each different route has different break-even, however, to break-even at contribution level average required tickets to be sold at more than 85%. Therefore, beyond break-even point, fares for balance seats are priced to recover all cost.

38. The representative of Indigo informed the Committee that they do not set a target "reasonable profit". Demand for air travel is highly price sensitive and varies due to multiple factors, including the price of the air ticket. They endeavour to set prices in line with estimation of demand and calibrate the same on basis of off-take of seats, changes in cost, estimated cost recovery, need to stimulate demand, network feeds / flows, etc. They also stated that Indigo, like most airlines across the world, follows the practice of 'revenue management' which involves varying prices according to changes in demand and available capacity. They also informed that other industries such as hotels, both in India and abroad, also practice revenue management techniques. Further, revenue management takes into account demand & supply and also variations in demand. An airline seat is perishable inventory, which means that once a flight has departed, the unsold seat inventory has no value.

39. The representative of SpiceJet stated that pricing aspects are dependent on the market situation and the prevailing conditions. These amounts cannot be quantified into a specific figure/ range as the same varies basis type of aircraft, market situation, the number of seats sold on different fare bucket basis market dynamics and offers etc.

40. The representative of Vistara informed the Committee that reasonable profit and generally prevailing tariff is based on the operational costs as well as the ongoing fares in the Indian and foreign aviation environment. They added that number of tickets needed to be sold on a particular route for them to break-even, depends on the market demand and the available

supply based on which Revenue Management System (RMS) system allocates the inventory on every price points. In many routes, airlines may not break even due to low demand and over capacity. The pricing of tickets are based on inventory allocation. RMS does the allocation of seat in RBD allocated in each cabin basis the Bid Price/Competition fare/Historicity/ Booking curve/demand/supply etc.

41. The Committee notes the replies of the representatives of various airlines as regards its query on the mechanism adopted by them to calculate the quantum of 'reasonable profit'. The airlines had commented that the prevailing air tariff on a particular route is a result of demand-supply balance. Besides, airlines work on a 'Cost Recovery Model', so as to recover all costs related to flight operations, rather than on a set target to achieve 'reasonable profit'. One of the airlines had also stated that they do not set a target 'reasonable profit' and the practice of 'Revenue Management' is followed which takes into account demand and supply. Representatives of an airline had also stated that pricing aspects depend on market situation and the ticket fares cannot be quantified in advance.

42. As regards, the Committee's query regarding the minimum number of tickets needed to be sold on a particular route for airlines to break-even, the airlines were of the opinion that since most of the airlines have been unprofitable for most parts of their existence, the airlines were not able to achieve break-even point. Hence, currently, no such system exists in India. Airline representatives opined that the number of tickets sold for break-even depends on demand-supply dynamics based on which Revenue Management System does the pricing.

43. The Committee observes that though the concept of establishing tariffs on basis of 'reasonable profit' is ingrained in the Rule 135(1) of the Aircraft Rules, 1937, yet none of the airlines has adopted a mechanism to calculate the quantum of 'reasonable profit'. All the airlines are instead following the demand-supply dynamics through the 'Revenue Management System' and hence, airfares are fixed accordingly.

44. The Committee understands that the fixing of airfares depends on various conditions which are subject to variation of the demand-supply dynamics of the market and the airlines have to account for these factors for maintaining economy of operations. The Committee is, however, of the opinion that a balance has to be maintained between the commercial interests of the airlines as well as the interests of the passengers. It is of the opinion that to fix airfares at reasonable and affordable rates, the airlines need to adopt the concept of 'reasonable profit' drawing from the best international practices. The Committee, therefore, recommends that the Ministry in consultation with the airlines should devise a mechanism or a formula, so that the concept of 'reasonable profit' as provided explicitly in Rule 135(1) of the Aircraft Rules, 1937 is adhered to.

45. The Committee also analysed the financial information in respect of Capital Investment; Working Capital; Revenue Expenditure; Fixed Cost; Operating Expenditure; Net Income; and Profit/Loss, as received from various airlines *viz.,* Air Asia, Air India and Indigo. The Committee notes that over the last three financial years (2020-21, 2021-22 and 2022-23), the Operating Expenditure of Air India has increased every year, however, the Net Income has reduced from -7,084 crore to -11,381 crore over this period. Air Asia has also reported a steady increase in the Operating Expenditure and an increase in the Net Income as well, over the last three financial years. In respect of Indigo, the total expenses incurred by the airline have increased from 2020-21 to 2022-23, whereas the losses have drastically reduced from a staggering Rs. 5,818.1 crore in 2020-21 and Rs. 6,153.7 crore in 2021-22 to a meagre Rs. 304.4 crore in 2022-23. For SpiceJet, the Operating Expenditure has increased by around 45% from 2020-21 to 2021-22, while, the Net Income has reduced from Rs. 1,107.8 crore to Rs. 60.2 crore in this period. As regards Vistara, the Operating Expenditure has increased approximately three times from Rs. 4,312 crore in 2020-21 to Rs. 12,753 crore in 2022-23, whereas the airline has reported losses amounting to Rs. 1,612 crore in 2020-21 which reduced to Rs. 1,393 crore in 2022-23.

46. As per the information provided by the various airlines, the Committee notes that in most of the cases, the Operating Expenditure has increased substantially, while the income has reduced, leading to net losses for most of the airlines. It also notes that Air Asia has incurred a net income despite incurring an increase in Operating Expenditure. The Committee would like to know the reasons, why Air Asia has been an exception and could post increase in net income despite incurring increase in Operating Expenditure, like other airlines. The Committee opines that it is crucial to scrutinise the audited financial data furnished by the airlines on a regular basis and DGCA should take cognisance of any discrepancies reported by the airlines and take corrective actions.

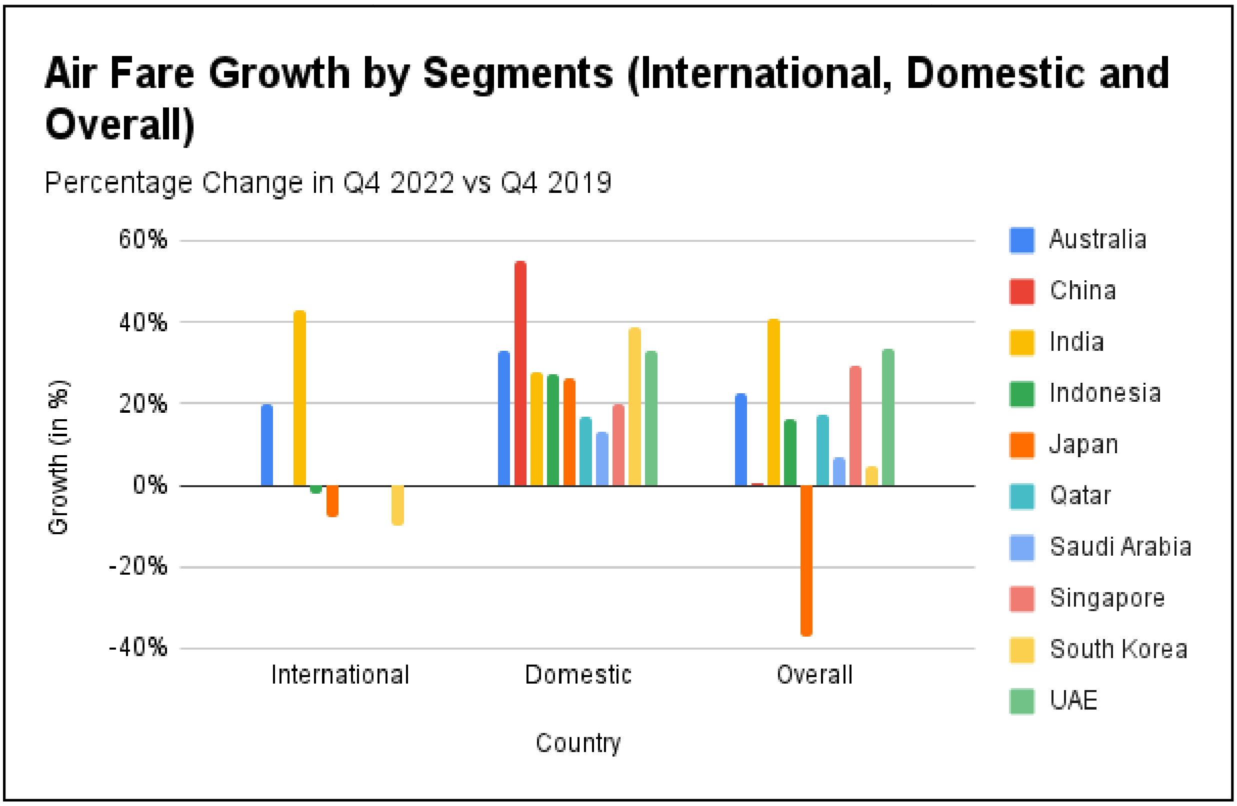
Global Data Analysis

47. The Committee during the course of its analysis on comparison of airfares in international markets *vis-à-vis* Indian markets found that a leading international organisation in the Civil Aviation sector viz., Airports Council International (ACI), had conducted a study and observed as follows:

- Unexpectedly, in the first quarter of 2023, despite a progressive increase in traffic, domestic airfares have continued to increase in several of these markets, including India, Indonesia, Saudi Arabia, South Korea and Japan, only decreasing marginally on international routes.
- Airlines are capitalising on low competition and pent-up demand to increase profits and recover losses incurred during the pandemic, while airports continue to provide enhanced services to passengers despite incurring heavy operational and capital expenditures.
- Expressing concerns about the high-pricing practice, the organization noted that these excessive airfares threaten the industry's long-term recovery and may have a far-reaching

influence on the associated industry by reducing demand for air travel and increasing the financial burden on the already stressed sector. Airlines should exercise fair pricing that supports recovery and safeguards consumers' interests. A supply-demand imbalance should not be exploited by airlines at the expense of customers by restricting the capacity, especially internationally, which is a key driver of social and economic growth and a major source of revenues for the airport sector.

48. The comprehensive study, undertaken by ACI, which examined around 36,000 routes in the top 10 aviation markets in Asia-Pacific, reveals an alarming increase in international airfares by up to 50%, while domestic routes went up by about 10%. The markets that saw the highest International airfare increase are India (41%), United Arab Emirates (34%), Singapore (30%) and Australia (23%). A graphical representation showing the Airfare Increase at International and Domestic segments (percentage change in Quarter-4, 2022 vs. Quarter-4, 2019) is as follows:



49. **The Committee notes the analysis of the ACI, which highlights the progressive increase in airfares both in domestic and international routes both in Indian as well as in other international markets. The Committee also notes the concerns of the ACI on excessive airfares which in the long term would reduce the demand for air travel and have a detrimental effect on its future growth.**

50. The Committee also notes ACI's advice to the Airlines to exercise fair pricing that supports recovery and safeguards consumers' interests. ACI also advises the airlines against exploiting the supply-demand imbalance at the expense of customers by restricting capacity.

51. The Committee notes the observations of the ACI and is of the opinion that the airlines need to take a relook at the high pricing of the airfares keeping in view the long-term aspects. It also recommends that the Ministry may formulate policies to encourage the airlines to increase capacity and induct more aircrafts, which will rectify the supply-demand imbalance, and further benefit the passengers besides aiding the recovery of the Civil Aviation sector in India.

Publication of Information on Website

52. The Committee noted that incorrect information is often published by the airlines on their websites regarding the number of seats left on the flight and the prices of the tickets. For instance, even after the last seats have been sold (at a typically high price), the same number of seats is shown on the website as indicated before the sale. The Committee noted that airlines are misleading the public with incorrect information by tricking them into paying more under the guise of selling "last seats". It enquired from the various airlines the reasons for publishing misleading information on websites; the mechanism the airlines adopt for monitoring the publication of information regarding fares/seats; and other safeguards taken to ensure that such misleading information is not published on the websites. The details of the replies of the Airlines are given in **Annexure-III**.

53. The representatives of all the airlines stated that they do not indulge in such malpractices of publishing misleading information regarding seats in their websites. An airline also stated that their ticket reservation system regularly updates their websites, which shows the airfares to the customers.

54. The representative of one of the airlines, however, noted that in some cases, the flight booking portals or travel agent's website may not be publishing the airfare that is supplied by the airlines. The airline noted that it does seem unusual that such a high price is being charged for a sector, as pointed out by the Committee and there was a difference between the most extreme price charged and the average price charged. The airline also stated that they would request the concerned portal to take a holistic view of the airfares sold on that particular flight to take a balanced perspective of interest of portal and the passengers.

55. The Committee enquired from Ministry of Civil Aviation as to whether the Ministry has taken cognizance of the issue of airlines publishing misleading information and if so, the steps taken for curbing the publication of such misleading information. The Ministry replied that Directorate General of Civil Aviation (DGCA) had not received any such complaints substantiating that airlines are misleading the public with incorrect information by tricking them

into paying more under the guise of selling “last seats”. The airlines are selling tickets as per their respective distribution system, which is in line with the practice followed worldwide.

56. The Committee further enquired from the Ministry of Civil Aviation about the applicable laws, rules and regulations pertaining to airfares offered by online flight booking portals/ aggregators such as MakeMyTrip, ClearTrip, etc. and whether online flight booking portals/ aggregators are permitted to charge commission on the airfares and if so, whether there is any limit to such commission. The Committee also desired to know the safeguards which have been enforced to ensure that online flight booking portals/ aggregators do not indulge in fraudulent, unscrupulous or dishonest practices and whether there is any mechanism in place for the aggrieved customers to seek redressal of their grievances against online flight booking portals/ aggregators.

57. In reply, the Ministry apprised that the guidelines for recognition/ renewal or extension as an approved travel agent/ agency are issued by the Ministry of Tourism, which has laid down the conditions and procedures to be followed between a travel agent and an airline. The Directorate General of Civil Aviation (DGCA) is not empowered to approve or disapprove the tariff charged by booking portals, as the tariff established by airlines is not required to be submitted to DGCA for approval, as Rule 135 of the Aircraft Rules, 1937 is related to airfare only.

58. As per clarification of the Ministry of Civil Aviation, the term “Commission”, “Transaction Fees”, “Convenience Fees” or any other terms used for the purpose means the same i.e. payment of remuneration to the intermediaries for the services rendered by them. Therefore, all these terms are treated as “Commission”, mentioned in the existing rule 135 of Aircraft Rules, 1937 as a part of tariff and are to be determined by the airlines. The aforesaid order further states that DGCA cannot lay down quantum of commission payable by airlines to agents. It is upto the airlines to take a decision in this regard in consultation with intermediaries taking into account various commercial factors such as the market conditions, the cost of the intermediary’s establishments, etc. and statutory definition of tariff.

59. The Committee notes the replies received from various airlines wherein they have informed that none of these airlines are displaying misleading information on their websites and they are selling tickets as per the practice being followed worldwide. The Committee also notes the reply of the Ministry stating that DGCA has not received any such complaints substantiating that airlines are misleading the public with incorrect information. It, however, notes the reply of an airline stating that sometimes the online flight booking portals may show fares which are more than the fares fixed by the airlines.

60. The Committee recommends that a mechanism should be put in place by the Ministry of Civil Aviation in coordination with Ministry of Tourism and airline companies to regularly monitor the flight booking portals/ aggregators so that they do not indulge in unscrupulous practices by publishing incorrect information under the guise of selling “last

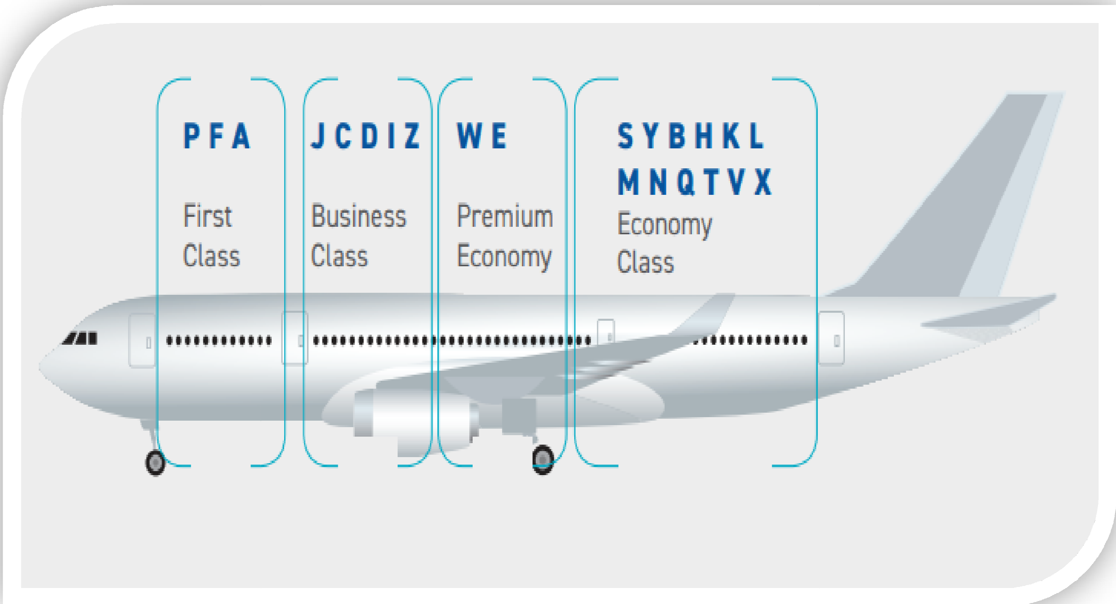
seats". In such cases, the Committee recommends that the Ministry should consider issuing necessary guidelines to Airlines to direct these portals/apps to not publish such incorrect information and create an avoidable panic situation amongst the public. The Committee also recommends setting up of a grievance redressal mechanism to deal with such complaints.

II
FIXATION OF AIRFARES

Global Practices, IATA Resolution and Reservation Booking Designators (RBDs)

61. The Ministry stated that:

- The airline pricing in India runs in multiple levels *i.e.,* Reservation Booking Designators (RBDs) or 'fare buckets', which is in line with the practice followed globally. The lower fare in the fare bucket is available for advance booking much earlier. As time lapses and date of journey approaches closer, the fare in the higher side of the fare bucket is made available as per the respective airline policy.
- In order to identify the fare and conditions of travel on passenger tickets, airlines the world over, follow IATA Resolution 728 or customize their Reservation Booking Designator (RBD)-to-cabin mapping which contains information on various booking classes referred to as RBD as per the diagram shown below. The RBD is the code used in reservation transactions to identify the booking class.



- In India, the Reservation Booking Designators (RBDs) are customized as per the following categories:
  - First Class (four levels with one discounted)
  - Business Class (five levels with three discounted)
  - Economy Class (13 levels with 10 discounted)
  - Seasonal code (to cater for tourist/festive season)
  - Part of week code (weekend/weekday)
  - Part of day code (day/night)
  - Fare and passenger type code (advance purchase/ frequent flyer/senior citizen/extra seat for passenger comfort/ discounted/child/return fare/connecting flight fare/ etc.

- Accordingly, fare categories prevalent with scheduled domestic airlines are as follows:
  - Apex (Advance Purchase Excursion)
  - Immediate Purchase Fares
  - Full Fare (Economy)
  - Full Fare (Business)

62. The Committee enquired from various airlines about the details of the existing system of airline ticket price 'Buckets' or 'Reservation Booking Designator' (RBDs) used by the airlines to determine fares for each flight and how the system is being used in determining fares of different classes of flights i.e. premium, business and economy.

63. In reply, the representatives of various airlines stated that RBDs allow airlines to have multiple fare levels as indicated below, for a single flight which is the practice followed globally.

(i) Each RBD (fare level) is assigned a specific number of seats (inventory).

(ii) At any point of time, one RBD is open for sale based on the number of seats still left in that RBD.

(iii) As seats assigned to an RBD is exhausted, that fare level is closed and the higher RBD is opened.

(iv) Thus, the current selling price of tickets moves to the next RBD level. RBDs are based on the internal practices of each airline, which are always aligned to the market structure and its dynamics.

64. Airlines use RBDs to manage the demand *vis-à-vis* the limited supply of seats to create value for the passengers. As the service and capacity offerings in the different classes differ, the pricing is done accordingly. Airlines offer differential fares under different brands by taking into consideration the service attributes attached to the brands to offer more choice and freedom to the passengers to choose and decide which product to consume.

65. As demand for air travel is highly price sensitive and varies due to multiple factors, including the price of the air ticket, airlines endeavour to set prices in line with an estimation of demand and calibrate the same on the basis of off-take of seats, changes in cost (including fuel), estimated cost recovery, need to stimulate demand and network feeds/flows. These prices are stated in "fare levels / buckets" with number of seats being varied in each bucket in line with revenue management practices.

66. The primary factors based on which specific buckets or price points are open for sale are market conditions - reference to competition landscape, frequency, time of the flights, seasonality, etc. Seat allocation per pricing point is dynamic in nature and there are countless sell and cancel transactions taking place every second from multiple sources over the entire network. Most of the airlines being commercial organisations, the inventory team endeavours to maximise the revenue by judiciously monitoring demand and supply.

Analysis of Global Practice for Ticket Pricing

67. The Committee, after analysis of International Journals on the subject, found that International Air Transportation Association (IATA)'s Recommended Practices (RPs) are only a suggested framework to harmonize industry practices in the air-transport sector. While IATA is not a governmental organization and has, therefore, no competence for legislation, their Recommended Practices are internationally recognized references and generally have a non-binding character.

68. Some airlines have adopted these RPs or general conditions as minimum requirements in their Conditions of Carriage or have modified them to suit their own commercial practices. Hence, different terms and conditions exist in the aviation sector for various airlines. However, the non-binding IATA rules or RPs as international standards are not prioritized in favour of national law, but, on the contrary, have to comply with the national law.[1]

69. The Committee also understands that the USA deregulated its airline industry in 1978, and thereafter airline deregulation has been implemented in many countries around the world including Germany, France, Australia, Great Britain, Japan and India.[2] Ticket pricing globally, is a well-developed, constantly evolving process, mostly controlled these days by algorithms. Pricing is, in most cases, automated, based on airline experience and set parameters and is not fixed or controlled, and airlines seek to maximize profits made through ticket sales.

70. Pricing and availability of fares are determined these days using a system of 'booking classes'. Each airline uses its algorithms and Artificial Intelligence (AI) to set and change prices. Price setting is backed by extensive data analysis, and with the improvement of data analysis technologies, data can be analyzed and used much more precisely. Airline price algorithms are not made public and are a closely guarded secret. However, there are many things that influence prices, though they vary between airlines.

71. The Committee observes that the IATA Rules are only a suggested framework to harmonize industry practices in the air-transport sector. While IATA is not a governmental organization and has therefore, no competence for legislation, their RPs are internationally recognized references and generally have a non-binding character. Airlines across the world have adopted these RPs and also modified them to suit their own commercial practices.

---

[1] Bischoff, Gregor, Sven Maertens, and Wolfgang Grimme. 2011. "Airline Pricing Strategies Versus Consumer Rights." *Transportation Journal*, Vol. 50, No. 3 (Summer 2011), pp. 232-250.https://www.jstor.org/stable/10.5325/transportationj.50.3.0232

[2] Gourdin, Kent N. 1998. "U.S. International Aviation Policy into the New Millennium: Meeting the Global Challenge." *Transportation Journal,* 1998, Vol. 37, No. 4, pp. 13-19 https://www.jstor.org/stable/pdf/20713360.pdf

72. The Committee further notes that globally, ticket pricing is a well-developed, evolving process, controlled by algorithms. Presently, ticket pricing is based on airline experience and set parameters, and airlines legitimately seek to maximize profits made through ticket sales. Airline price algorithms are not made public and are a closely guarded secret.

73. It is evident that as per the international practices, though IATA Recommended Practices (RPs) are non-binding, yet these are acknowledged by the various international airlines as a guiding factor. However, each airline modifies it to suit their own commercial practices, subject to National laws which get priority over the IATA RPs. The Committee, therefore, recommends that the Ministry may ensure the proper implementation of the existing Rule 135 of the Aircraft Rules, 1937 which is the National Law in India for fixing of reasonable airfares by the airlines, for the benefit of the passengers.

Components and Drivers of Airfare

74. The Ministry informed that the various components of Airfare are as under:

a) Airline Components
   - Basic Fare
   - Airline Fuel Charge
   - Common User Terminal Equipment (CUTE) Fees
   - Convenience Fee (on booking through websites)

b) Other Agencies Components
   - Airport Operators
     - Airport development fees
     - User Development Fees
     - Passenger Service Fees
     - Regional Connectivity Scheme (RCS) Fee
   - Government Levies
     - CGST
     - SGST

75. The Ministry also informed that due to the supply-side constraints, air ticket prices generally vary depending upon the market forces including difference in demand and supply arising due to various drivers which follow the laws of demand. The various drivers of airfare are as under:

- Season
- Holidays
- Festivals
- Long weekends
- Events (sports, fairs, contests, etc.)
- Market forces viz. competition, value of INR against US dollar, fuel prices, etc.

- Competition on route
- Distance of route
- Seat demand

76. The Committee enquired from the various airlines the different components within the total airfare charged to the passengers; the components that are retained by the airlines; and components which are to be paid to other entities and the frequency (daily, weekly, monthly, etc.) of such payments. The details of the components of airfare of various airlines being charged to passengers and their breakup are given at **Annexure-IV.**

77. The Committee notes the various components of airfares being charged to passengers and observes that the components of airfares are the same across various airlines. The Committee would like to be apprised of the percentage of various components of airfares which are retained by the airlines themselves.

Effect of Seasonality/Holidays on Airfares

78. The Ministry highlighted that India has a highly seasonal market. Traffic is usually high in the months of May and June. Through mid-July the international traffic flows are high, thus contributing to the domestic feed as well. From July to September is traditionally leaner period as travel is restricted due to monsoon and other religious reasons. In October, with the festive season starting from Dussera, traffic picks up again and by the middle of January the demand diminishes. Till about the last week of April, this trend of softening of demand continues and again, due to summer holidays, the demand increases.

79. The Committee was further informed that Air travellers are extremely price-sensitive. Price is the primary driver to pick an airline especially for leisure travellers. All airlines compete on price with other carriers in the respective markets. Airlines adopt dynamic pricing by changing prices often depending on the day of the week, time of 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 is crucial in determining how airlines improve their revenue per flight.

80. The Committee, during its deliberations, highlighted the concerns expressed by passengers at the surge of airfares during festive seasons, summer vacations, when a large number of people travel across the Country for religious/ leisure purposes or other reasons and thus promoting domestic tourism and boosting the economy. The Committee notes that affordable air transport is a must for the growth of tourism in India, which is presently reviving after facing a steep decline due to Covid pandemic. The Committee recommends that the Ministry may devise suitable monitoring mechanism to keep a check on the sudden surge in prices during the festive season or holidays or natural calamities, as it has a negative impact on tourism.

Impact of Airport Tariff on Airfares

81. Association of Private Airport Operators (APAO), in its written reply stated that the aeronautical tariff determination process for all major airports in India is governed under the AERA Act, 2003. Insofar as fees being charged to the Airlines and Passengers, such fees and charges are determined based on the regulatory principles laid down by the Airport Economic Regulatory Authority (AERA), the regulator for the Airports sector, every five years for the following control period in consultation with all stakeholders and considering the Capital Expenditure (CAPEX), Operational Expenditure (OPEX) and other financial requirements of the airport. Further, airports are mandated to charge only those fees and charges that are determined and published by the AERA. The AERA determines aeronautical charges that an airport can charge on the airlines and passengers by balancing the interests of various stakeholders, including that of Airport operator.

82. The tariff determination process involves the relevant airport operators submitting a multi-year tariff proposal detailing each building block of the revenue requirement for the previous control period and the projection for the subsequent control period together with a financial model. The submission is then reviewed by the AERA for accuracy, compliance and reasonableness. The AERA then publishes its views in a consultation paper for stakeholders to comment and subsequently issues a final tariff order reflecting views received in the consultation exercise.

83. The Committee also enquired about the amount of User Development Fee charged by the private airlines operating in the country and the details of the fee charged at the airports, these private airlines are currently operating (for the F.Y. 2022-2023). The information furnished by the Association of Private Airport Operators (APAO) is placed at **Annexure-V**.

84. The Committee observes that there is a lot of variation in User Development Fees (UDF), for domestic passengers, ranging from Nil to Rs. 480 and for International passengers, from Rs. 52.56 to Rs. 1200. The Committee desires to know the reasons for the wide variation in UDF rates both for domestic and international passengers which is one of the components of airfares, leading to rise in airfares.

85. The Committee notes that fees mandated by the AERA being charged to the Airlines and Passengers, are determined based on the Regulatory principles laid down by the Airport Economic Regulatory Authority (AERA) and airports are bound to charge only those fees and charges that are determined and published by the AERA. It is, therefore, evident that the AERA exercises control of various components of airfares charged to airlines or passengers. The Committee observes that the AERA, being the statutory regulator for the airports sector should endeavour to strike a balance between the

interests of the airlines and the passengers. The Committee is of the opinion that the AERA in consultation with the various stakeholders may look into the feasibility of reducing the various components of airfare, which may result in decrease in airfares.

86. The Committee further enquired about the details of Passenger Service Fees, Air Navigation Services (ANS), etc., charged by the private airlines and whether these charges are as per acceptable rules and in conformity with international norms. The APAO replied that with effect from 1st July 2019, the MoCA has discontinued the levy of Passenger Service Fees by Airport Operators and has replaced the same with Aviation Security Fee (ASF). This ASF is not levied by the Airport operators and is levied by the National Aviation Security Fee Trust (NASFT) – a Trust formed under the MoCA. Air Navigation Service Charges are determined by the Airports Authority of India and charged directly to airlines without any involvement of the APAO or private airport operators.

87. The Committee is aware of the fact that a significant component of airfare comprises various fees/ charges being charged by the airport operators *viz.,* Landing Charges; Parking Charges; Housing Charges; User Development Fee (UDF); Fuel Infrastructure Charges; Airport Development Fee (ADF); Passenger Service Fee (PSF); X-ray Screening Charges; Fixed Electricity Ground Power (FEGP) Charges; and Common Use Terminal Equipment (CUTE)/ Common Use Self Service (CUSS)/ Baggage Reconciliation System (BRS) Fee. In this regard, the Committee enquired about the details of various charges/fees being charged by the private airports from the APAO. Details furnished in respect of the following 12 Member Airports, which are placed at **Annexure-VI**:-

i) Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad;
ii) Kempegowda International Airport, Bengaluru;
iii) Cochin International Airport, Kochi;
iv) Indira Gandhi International Airport, Delhi;
v) MoPA International Airport, Goa;
vi) Rajiv Gandhi International Airport, Hyderabad;
vii) Lucknow International Airport;
viii) Thiruvananthapuram International Airport;
ix) Jaipur International Airport;
x) Guwahati International Airport;
xi) Mangaluru International Airport, Mangalore; and
xii) Chhatrapati Shivaji Maharaj International Airport, Mumbai.

88. The Committee notes wide variation in terms of varied fees being charged by the airport operators. For instance, the Fuel Infrastructure Charges are being levied by only four airports out of the aforementioned 12 airports, with the price range between Rs. 670/KL to Rs. 1,830/KL. The Committee also observes a considerable variation in the Parking Charges being levied by different operators wherein the minimum charge is a

meagre Rs. 3/MT per hour, whereas the maximum being Rs. 98.60/MT per hour. Similarly, there is a major difference in the Landing Charges being levied for aircrafts wherein one airport charges Rs. 113/MT and the maximum charge for landing an aircraft at one of the airports is Rs. 1,450/MT. The Committee desires to know the reasons for the wide variations.

89. The Committee also notes that as regards the other charges *viz.,* X-ray Screening, PSF, FEGP, CUTE/CUSS/BRS etc., are being levied at only certain airports at varied rates. The Committee is also aware that all such charges levied by airport operators are governed by the orders issued by the Airports Economic Regulatory Authority (AERA). The Committee recommends that as far as possible, there should be broader uniformity in terms of various fees being charged across all the airports in the Country. The Committee recommends the Ministry to look into the matter and issue necessary guidelines to all the airport operators to rationalise the fee/charges at different airports.

Low-Cost Carriers vs. Full-Service Carriers

90. The Committee also enquired into the reasons and justification for the higher fares charged by low-cost airlines on the same routes *vis-à-vis* their full-service counterparts despite offering fewer services to the passengers. The representative of Air Asia stated that airfares for any flight are driven by demand-supply dynamics, competitive positioning, and are based on factors such as –

1. Schedule advantage / disadvantage – Flights with better timings see higher customer demand.
2. Available Seats – In case a few seats are available on a flight, the fares may be higher.

91. The representative apprised that it is possible that at times the flight of a Low-Cost Carrier (LCC) is in higher demand than a Full-Service Carrier (FSC) and hence may see a higher fare being offered at a particular booking period. It is also possible that an FSC may be offering a tactical discount in the market.

92. The representative also contended that there are two main propositions on which budget or Low-Cost-Carrier (LCC), differ from the Full Service Carrier (FSC):

- In LCC, there is only economy class in the cabin. Not having a business class helps LCC with more seats per flight thereby reducing the cost per seat and hence offering lower fares; and
- LCCs offer unbundled product, i.e., meals and any other auxiliary services like lounge facility, which are not offered as part of the fare but can be bought separately. This again helps offer lower fares and only the customers who value auxiliary services like meals have to pay for such services.

93. The Committee was also apprised that LCCs sometimes also offer additional fare products which bundle ancillary services like meals.

94. Representative of the Indigo stated that it charges airfares in line with prevailing market dynamics. It is quite possible that in certain cases, a full-service carrier's flights on certain route(s) have lesser seats sold than desired/ estimated, and the carrier concerned may choose to sell their seats at a lower rate than LCCs, which ultimately benefits the consumer. It is also possible that a certain full-service carrier may choose to sell at lower fares, to stimulate the market or to generate flows from certain flights onto its overall network. These are outcomes of the deregulated nature of the Indian air travel market and work to benefit consumers.

95. The representative also averred that globally, there is no definition of budget and regular airlines. Budget airlines in mature markets typically follow a model of having only one aircraft type (economies of scale), distributing their inventory through their website (no travel agency fees / commissions), charging for all ancillaries including checked-in baggage, operating from secondary airports, etc. Indigo, on the other hand, has three aircraft types in its fleet – A320, A321 and ATR-72 and have distributed inventory through agents as well as their own website and also offer free check-in baggage allowance to all passengers.

96. Indigo also operates from mainline airports in India and provides the same facilities as "regular" airlines in India, maybe with the exception of free meals (Indigo charges for the same). The airfares are available on their website, as required *vide* Air Transport Circular 02 of 2010, wherein they are required to display the tariff sheet route-wise across their network in various fare categories/buckets on their website.

97. The SpiceJet representative stated that multiple factors drive the dynamics of the fare pricing and airlines strategy depends on business perspective. This aspect is solely determined by the market structure and market forces and an airline does not have any control over the same.

98. The Vistara representative stated that the difference primarily lies in services and deliverables offered, *i.e.,* free meals on board, different cabin, seat comfort, loyalty benefits, etc.

99. The Committee notes that the reason for the higher fares charged by low-cost airlines on the same routes *vis-à-vis* their full-service counterparts despite offering fewer services to the passengers is mainly due to the fact that airfares are fixed according to market dynamics. The difference primarily lies in services and deliverables offered *i.e.,* free meals on board, different cabins, seat comfort, loyalty benefits, etc. The Committee notes that there is no fixed criterion for fixing airfares for Low-Cost Carriers as compared to the Full-Service Carriers and the airfares are determined on the basis of market forces and airlines do not have any control over them. The expression 'market dynamics' being vast and uncertain, the Committee recommends that the Ministry should monitor such instances of high fares of LCCs and take remedial action.

Dynamic Pricing and Global Standards

100. The Committee asked the Ministry whether it has laid down any guidelines to ensure that the dynamic fare pricing model is being employed in a reasonable manner. The Ministry apprised that with the repeal of Air Corporation Act, 1953, in March 1994, airfares have been deregulated. Dynamic pricing is a pricing strategy which entails flexible prices for products or services based on current market demands. Businesses are able to stay competitive by changing prices based on algorithms that take into account competitor pricing, supply and demand, and other external factors.

101. The Ministry further stated that airline pricing system runs in multiple levels (buckets or RBDs) which are in line with the 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 seats as the lower fare buckets get sold out when bookings are offered by airlines.

102. Some of the airlines offer schemes, 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 are displayed by airlines on their websites. The airlines are compliant to the Rule 135 of the Aircraft Rules, 1937 as long as fares charged by them are in line with the fare displayed on their website.

103. Most airlines opined that the dynamic fares allow airlines to offer different fares at different periods of booking horizon to different customer segments. It is based on forecasting demand from customer segments at different price levels and then allocating seat inventory accordingly at these different price levels to match the forecasted demand. Therefore, the family travellers, students, senior citizens etc., who are more price sensitive and tend to book in advance get access to seat inventory allocated to low fares. They also stated that every flight operated by an airline involves a high amount of fixed cost, with a very small component of the cost being variable with the number of passengers onboard. Therefore, a vacant seat is a perishable inventory and hence it makes sense for airlines to fill the seats even if such fares are lower than the average cost per seat. This shows that the dynamic pricing approach adopted by airlines works in the interest of consumers, as many consumers with lower affordability are able to get access to seat inventory which would have otherwise gone unsold. The details of the replies received from various airlines in this regard, are placed at **Annexure-VII.**

104. The Committee notes that depending on the market demands, a significant portion of the seats in a particular flight is sold even below the average cost per seat to be able to attract customers who may have low affordability. It also notes that dynamic fare pricing models are derived from the Standard Revenue Management System and practised

globally. These models are based on forecasting and optimization tools. It also observes that there are many Revenue Management Systems available in the market and the airlines may choose any of these or may develop its own methods to forecast and allocate inventory.

105. The Committee further notes that no fixed model or formula is being followed by the airlines for airfare fixation. However, a vacant seat being a perishable inventory, airlines may offer seats at discounted rates, if the ticket is purchased sufficiently in advance. Thus, it benefits the passengers who have lower affordability.

106. The Committee is of the opinion that in absence of a credible formula for the pricing of airfares, there remains a wide variation in the pricing of seats. Though sometimes, it may benefit the customers, however, at times, it may lead to very high fares. The Committee, therefore, recommends that feasibility of devising a formula may be examined to regulate excessive surge in fares as per the extant rules.

Differential Pricing

107. The Committee observes that currently, airlines offer passengers the option to select their seats on an aircraft which could cost anywhere between Rs.150 to Rs.1,000, depending on the location of the seat. Accordingly, the Committee enquired from the airlines the reasons for having differential pricing for seat selection within the same flight and the basis on which airlines decide the pricing for different seats. The replies of the various airlines are placed at **Annexure-VIII**.

108. The Committee notes the replies, wherein most airlines have stated that differential seat pricing is a global practice. They further stated that the seat selection pricing is rooted in the product 'unbundling' philosophy of low-cost-carrier business model whereby airlines offer the basic product at the lowest possible fare and charge separately for various amenities only to those passengers who see a utility in such amenities. The differential pricing for seat selection is, therefore, based on the value ascribed by the passengers to different types of seats.

109. Further, pricing for seats are decided based on the benefits offered by different types of seats to consumers. Similar to the ticket fares, if the seat-assignment pricing is too high the customers would not be willing to pay for it and the airline would end up assigning such a seat for free. Therefore, it is not in the interest of the airline to price the seat higher than the value ascribed by the customer for such a preferred seat. Airlines monitor the take-up rate of such preferred seats on different routes and adjust pricing accordingly so that they are able to maximise the take-up rate of such paid seat selection.

110. The Committee notes that the reason for variation in prices of seats on the same flight is due to the system of 'unbundling', which is a global practice whereby the airlines charge the lowest possible fare for the basic product and charges for various other amenities as per the choice of the passenger. The Committee, however, feels that the issue

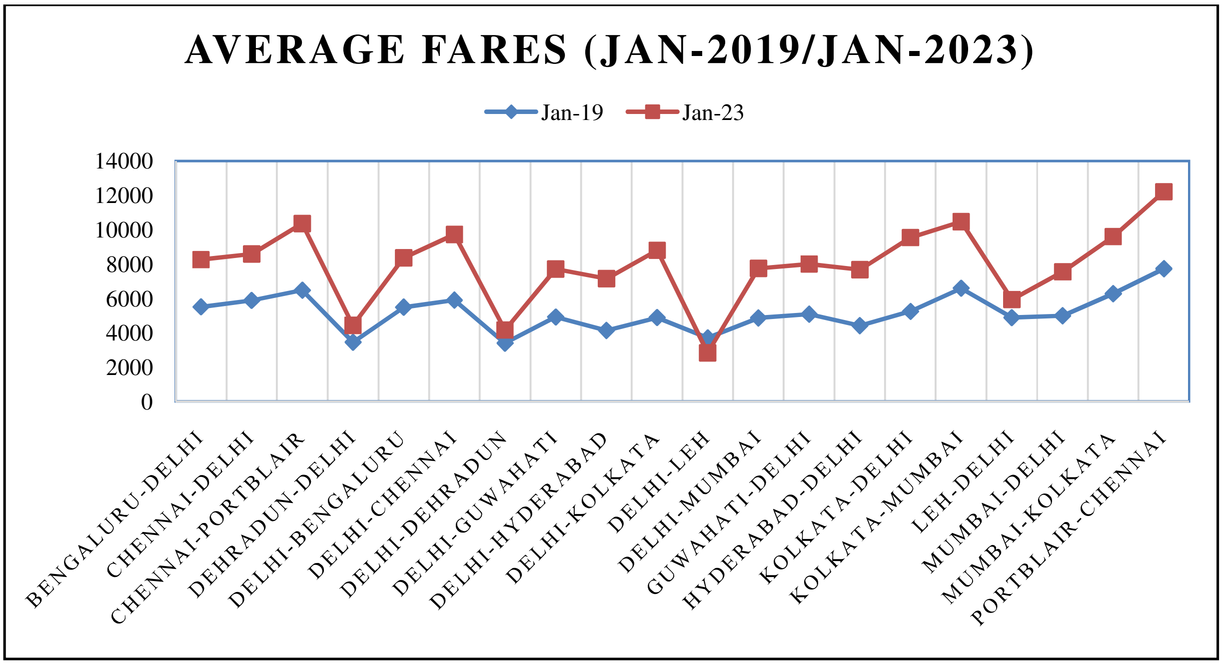
needs a relook as variable costs for the seats in the same flight, goes against the very principle of equity.

Challenges in the Rationalisation of Airfares

111. The Ministry of Civil Aviation stated that following are the challenges in rationalization of airfares:

- The aviation sector is a capital intensive business and the airlines operate in an extremely competitive environment.
- The airline industry has to face unforeseen challenges to remain in business such as:
  - Volatility in the input cost of operation,
  - Fluctuation in Aviation Turbine Fuel (ATF) prices/exchange rates,
  - Changes in geo political situation,
  - Covid Pandemic and
  - Global supply chain issues.
- Worldwide, many airline operators had to close down their operations on account of continuous unsustainable losses.
- A majority of Indian airline carriers have registered an operating loss during last three years.

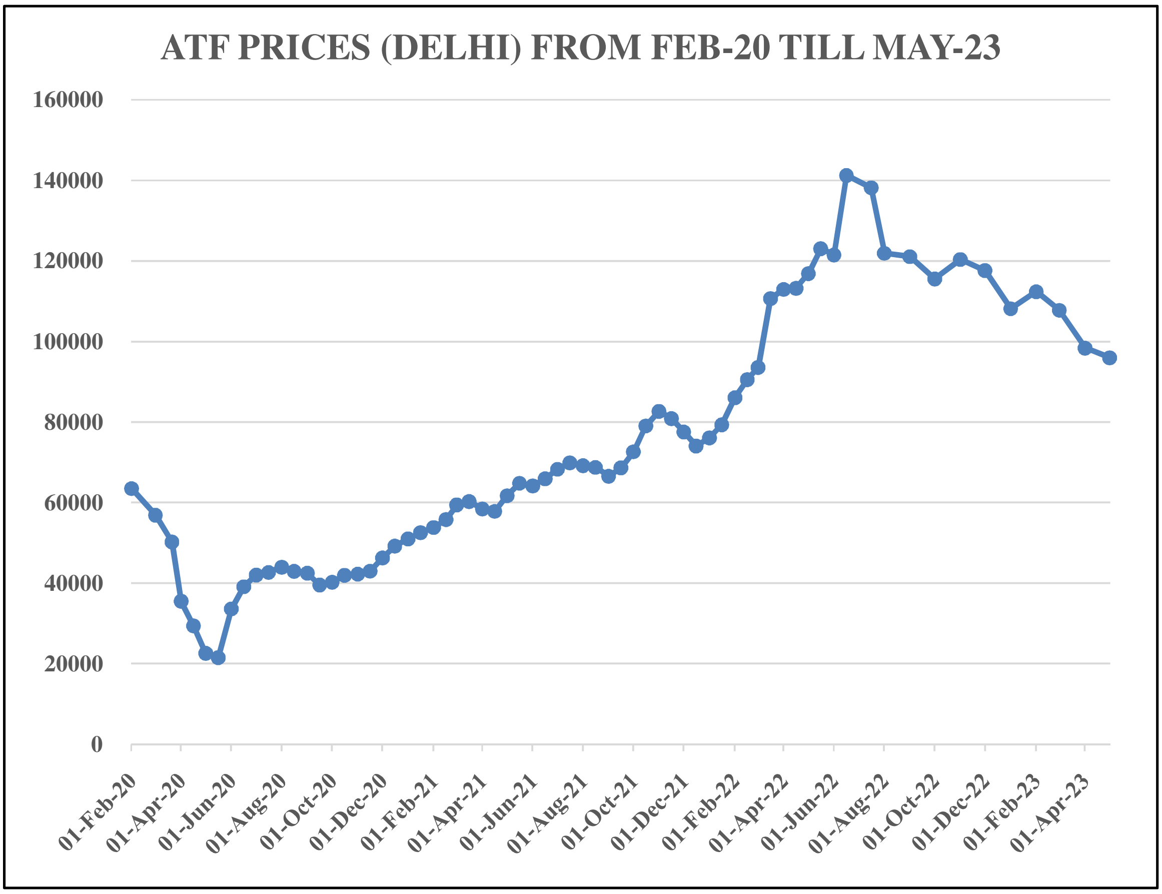
112. The various airlines also mentioned that the exceptional rise in fuel prices witnessed during Mar-Apr'22 due to the Ukraine war issue increased operational costs for airlines. The fuel prices in April 2022 increased by 55% over January 2022. This forced the airlines to pass on some of the increase in fuel prices in the airfares starting April 2022 onwards, however only ~65% of the increase of fuel prices was passed on to customers due to competitive pressure on airfares. The Ministry has also provided a Sector-wise comparison of Airfares from January, 2019 to January, 2023, which is as follows:



113. The Committee notes various challenges being faced for rationalisation of airfares as aviation sector is a capital intensive business and faces unforeseen challenges such as continuous unsustainable operating losses. It notes that most of the challenges are beyond the control of the airlines. However, the issue of the steep increase in ATF prices as compared to global prices and GST levied by the Government depends on factors which are under the ambit of the Central Government. The Committee recommends that immediate steps may be taken to lower the taxes levied on ATF in consultation with Ministry of Finance.

Aviation Turbine Fuel (ATF) and Taxes on ATF

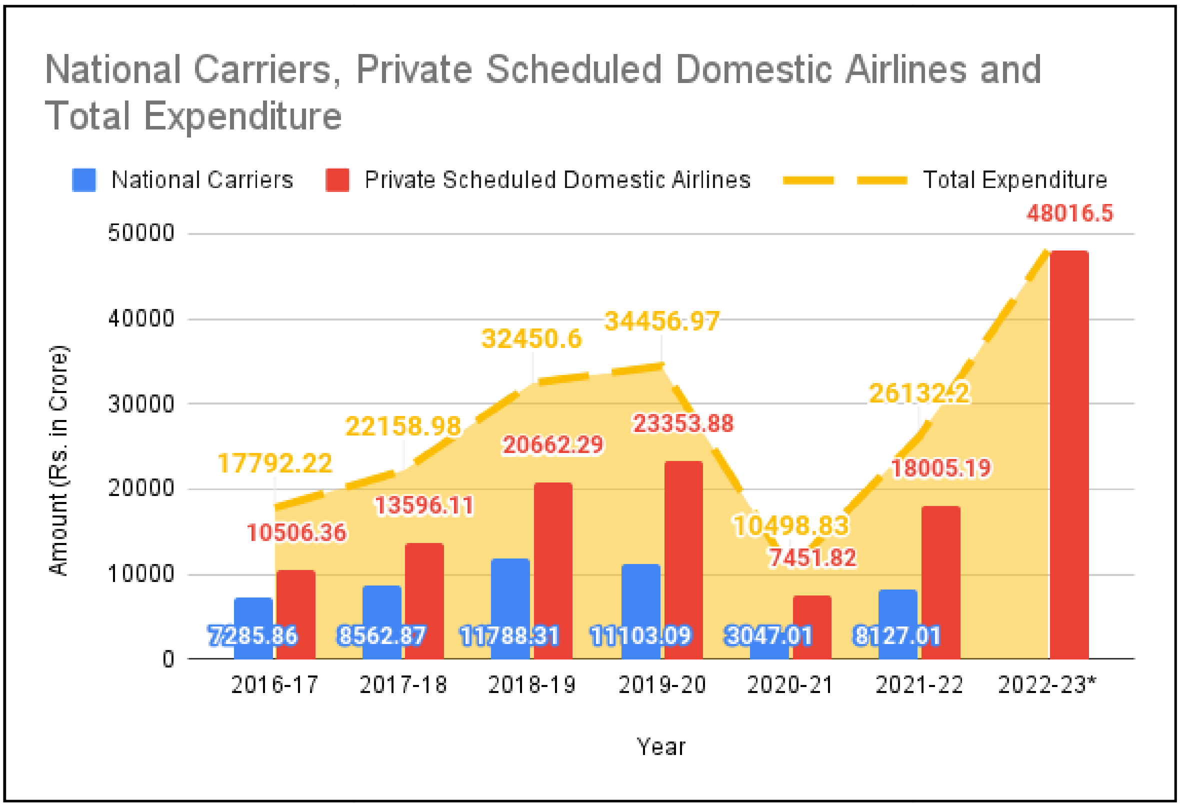
114. The Ministry of Civil Aviation specifically highlighted that ATF generally accounts for approximately 40% of total cost of operation depending on the aircraft type. There has been unprecedented hike in ATF prices over the last few years. For example, the average duty paid ATF price at Delhi which was Rs. 53,515 /kL in March, 2020 (pre-Covid) increased to Rs. 1,31,354 /kL (145% hike) during June, 2022 and its still pegged at Rs. 95,935 /kL (80% hike *vis-à-vis* March, 2020). The volatility in the ATF prices is significant factor which leads to fluctuations in operational cost resulting in surge in airfare. The trend of average ATF duty paid price in Delhi for the period February, 2020 to May, 2023 is as follows:



115. The Ministry informed that the decision to bring ATF under the ambit of GST pertains to Ministry of Finance (MoF)/ Goods and Services Tax (GST) Council. Ministry of Civil Aviation has taken up the issue of inclusion of ATF under the ambit of GST with Ministry of Finance at various levels. Ministry of Finance has informed that Article 279 A (5) of the Constitution prescribes that the GST Council shall recommend the date with effect from which the GST would be levied on petroleum crude, high speed diesel, motor spirit (petrol), natural gas and ATF. As per the section 9(2) of the CGST Act, 2017, inclusion of these products in GST will require recommendation of the GST Council. So far, the GST Council, in which the States are also represented, has not made any recommendation for inclusion of these goods under GST.

116. It has also been informed that the Ministry has made efforts to rationalize ATF pricing by adopting the 'Mean of Platts Arab Gulf' (MOPAG) pricing mechanism. MOPAG pricing refers to paying the same price for ATF in India, that is paid in Dubai. The new price mechanism which replaces the Import Parity Price based system, will be benchmarked on the MOPAG and could bring in more parity between global crude price and jet fuel price in India. Also, the new pricing mechanism will be "more transparent" and will cushion airlines from ATF price fluctuations. The Committee also analysed the expenditure on ATF by National Carriers and Private

Scheduled Domestic Airlines from 2016-17 to 2022-23. The graphical representation of the data is given below:



**Upto 31.01.2023. After the disinvestment of Air India, the figure of Rs 48,016.50 crore is inclusive of the expenditure incurred by Air India and its subsidiaries.*

117. The Committee notes the increase in expenditure on ATF from 2016-17 onwards, with the exception of years 2020-21 and 2021-22, when the demand for ATF decreased due to pandemic induced slowdown in aviation sector. In the year 2022-23, it has sharply increased again, surpassing the expenditure on ATF during the previous years. The Committee opines that lowered rates of VAT on ATF may result in reduced price of air tickets and enhanced air connectivity. Also, the resultant increase in revenue from sale of aviation fuel may aid in the growth of tourism, better employment opportunities in the States/UTs.

118. The Committee further notes that the pricing of 'Aviation Turbine Fuel' is primarily influenced by the international product prices, depreciating value of Rupee and other market conditions. The Committee also observes the high ATF prices prevailing in the country, is further aggravated by high taxes such as customs duty, excise duty, sale/State tax, Value Added Tax (VAT) levied thereon.

119. The Committee has been given to understand that the cost of ATF nearly accounts for approximately 40% of the total operating cost of airlines and impacts the financial

viability of their operations and affects their competitiveness because Indian carriers are unable to compete against their global counterparts on account of the exorbitantly higher prices of ATF. The Committee recommends that all-out efforts should be made to lower the taxes being levied on the ATF. Rationalization of VAT rates will be very crucial in reducing the operating cost which will further improve the economic and operational viability of the airlines.

120. The Committee also commends the Ministry for adopting initiatives such as MOPAG mechanism of pricing to rationalise prices and bring in more parity between prices of global crude oil and ATF in India. The Committee opines that it will decrease the cost of ATF and hence, decrease airfares in the country. The Committee also desires to know the details of ATF prices being charged in other countries across the world and the countries with low ATF prices.

121. The Committee notes the wide variation of ATF prices across the various States of the country, which has led to airlines fuelling their aircrafts from States with low taxes, which reduces the passenger load and also results in increase in airfares. The Committee, therefore, recommends that the possibility of enacting a law to ensure uniform rate of taxes on ATF across the country, may be examined.

Pratt & Whitney Engines

122. The Committee during its deliberation were informed by some airlines that many of the aircrafts were grounded, because Pratt & Whitney, the manufacturer for the engines for these aircraft is not being able to supply these engines. Due to grounding of aircrafts, the airfares increased in some Sectors. The Committee also took up the issue with the representatives of Ministry of Civil Aviation during its Study Visit to Goa.

123. The Ministry of Civil Aviation informed the Committee that due to grounding of aircrafts, there has been a direct impact on the capacity available for passengers. In this regard, efforts were made and issues taken up with Pratt & Whitney (P&W) to assist Indian carriers (GoFirst and Indigo). A communication to P&W was made wherein the concerns of MoCA and DGCA were expressed over the grounding of A-320 fleet of Indian carriers because of non-availability of P&W engines. P&W replied that they are facing a global issue due to supply chain constraints and the availability of parts at MRO, impacting all of their customers. The matter was again taken up with P&W and they were also apprised of the frequent flight cancellations leading to inconvenience to the travelling public due to these aircraft groundings. DGCA is continuously following up the matter with the Original Equipment Manufacturer (OEM) for an early resolution.

124. The representatives of Indigo which has faced the said problem also stated that currently they have certain number of A320 family aircraft grounded due to the global supply chain problems. The number varies in line with the Aircraft-on-the-Ground (AOG) situation and also

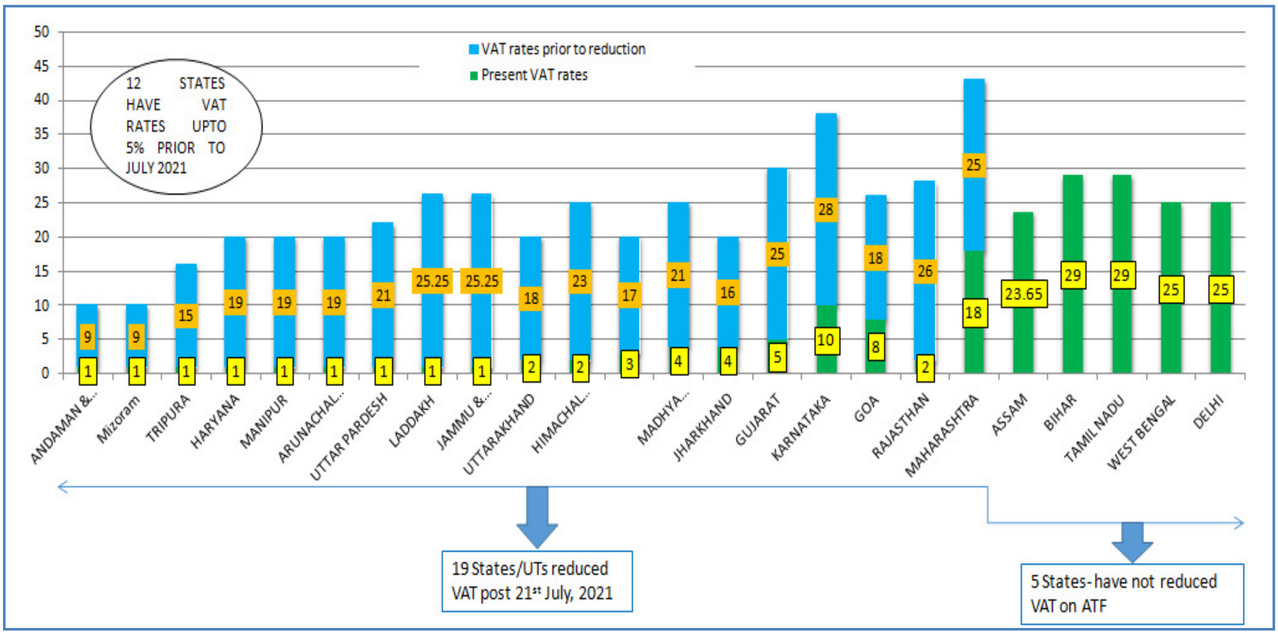
improvements to the supply chain and maintenance requirements arising during ongoing operations and the airline is trying to resolve the issue in consultation with the manufacturer.

125. The Committee notes that aircrafts with an Indian airline operator having Pratt and Whitney engines were grounded due to lack of spare parts leading to incurring of losses. The Committee would like to know whether there are any provisions to seek damages from the said engine manufacturer, and if so, the details of action taken by the airlines as well as the Ministry in this regard to avoid the recurrence of such a problem in future.

Action taken by the Government for Affordable Air Travel

126. The Committee was apprised that Government has taken several proactive measures to encourage the overall growth of aviation ecosystem in India to enhance connectivity and bring in competition to ensure affordable air travel. The following initiative taken by the Government directly or indirectly have helped in bringing down/ containing the hike in airfare:

i) Government's effort has led to reduction in VAT on ATF significantly in several states providing relief to the airlines. 19 States/ UTs have reduced VAT significantly and efforts are being made to convince the remaining 5 States/ UTs to reduce the VAT rates. A graphical representation of VAT rates across all States/ UTs is as follows:-



ii) Tax concessions to MROs etc.

iii) Rationalization of ATF pricing by adopting MOPAG pricing mechanism.

iv) Flagship program of the Ministry of Civil Aviation, UDAN was launched providing VGF to the airlines for connecting tier-II and tier-III cities at affordable prices. Airlines are required to commit around 50% of seats as RCS seats (limited to 40 seats) on RCS flights. While launching UDAN Scheme in the country in 2016, the Government had capped the Airfare at Rs. 2500 for one-hour flight under UDAN. However, the capping is subject to indexation as per the formula specified in the Scheme.

v) Ministry of Civil Aviation has sought intervention of the Ministry of Finance to help the Civil Aviation sector by bringing ATF under the ambit of GST.

vi) Efforts are being made for reduction in Excise Duty on ATF.

vii) Capacity enhancement by Indian carriers over next few years.

viii) The airlines in the Civil Aviation Advisory Group meeting chaired by the Hon'ble Minister for Civil Aviation were sensitized regarding instances of aberration in airfares charged by airlines particularly on certain sectors during high demand situations and were urged to build some level of sensitivity in their RBDs and take corrective action to deploy additional capacity, etc. so that the airfare do not go haywire.

127. The Committee commends the steps taken by the Government to rationalise the airfares. The Committee recommends that monitoring at the ground level may be carried out to ensure the proper implementation of all the initiatives taken by the Government. The Committee desires to know the status of Ministry's efforts to bring ATF under the ambit of GST and reduction in excise duty on ATF.

128. The Committee also commends that the Civil Aviation Advisory Group has advised the airlines to bring in sensitivity while framing their RBDs and deploy additional aircrafts to meet the increased demand of the passengers. The Committee desires to know the details of the steps taken by the Ministry and the airlines, in this regard.

Role of Airport Economic Regulatory Authority (AERA)

129. Airports Economic Regulatory Authority (AERA) is the main regulatory agency for regulating tariffs and other expenditures and fees for airports, many of which are collected from passengers through airfare. In this regard, the Airports Economic Regulatory Authority of India Act, 2008 mandates AERA to hold due consultations with all stakeholders. In this context, the Committee desired to know how often AERA holds consultations with the stakeholders, the stakeholders who are consulted in the process and whether there is any mechanism in place for the stakeholders to address their concerns with AERA.

130. The Ministry informed that in consonance with the global principles laid for regulating tariffs down by International Civil Aviation Organization (ICAO), AERA adheres to the following key principles on charges for airports, while exercising the function of Tariff Determination:

i. Non-discrimination,
ii. Cost-relatedness;
iii. Transparency; and
iv. Consultation with users.

131. Section 13 sub-section (4) of the AERA Act 2008 mandates ensuring transparency by holding due consultations with the stakeholders and allowing them to make their submissions to the Authority. AERA Guidelines 2011 also outline the User Consultation Process in detail to be followed during the entire process of tariff determination. In the above backdrop, AERA follows transparent and robust consultation process.

132. Ministry also informed that each airport has different capital expenditure profile, return on capital employed, operational expenditure, traffic inflows, under/over-recovery in previous control period and non-aeronautical well as Cargo, Ground handling and supply of Fuel (CGF) revenue collections. These factors translate to different entitled revenue and resultant landing/ parking and UDF for different airports. Entitled revenue for the airport operator is recovered through levy of are mentioned below:

i. Landing and parking charges
ii. User Development Fee (UDF).

133. Proportion of recovery between Landing/Parking and UDF depends on past ratio, views of the stakeholders including the airport operator during consultation process. The mechanism followed by AERA for arriving at airport tariffs, is given at **Annexure-IX.**

134. During its deliberations the Committee enquired about the mechanism available to airport operators to voice their concerns with AERA. In reply APAO stated as follows:

- Airports Economic Regulatory Authority of India (AERA) determines the Aeronautical tariff for major airports in India.
- AERA's tariff determination process consists of the following steps:
  - Submission of Multi Year Tariff Proposal (MYTP) by Airport operator
  - Analysis of MYTP by AERA
  - Issuance of Consultation Paper by AERA regarding its views on the MYTP and its own proposal for the applicable control period
  - Stakeholder consultations regarding the MYTP submitted by Airport operator and AERA's proposal
- The APAO also informed that based on the above process, airport operators have limited opportunity to be heard by AERA for expressing their opinions / concerns/ replies regarding AERA's proposal in the consultation paper and comments received from various stakeholders.
- Further, airport operators can appeal against the orders of AERA in Telecom Disputes Settlement and Appellate Tribunal (TDSAT) which is the appellate tribunal for the airport sector. In case matters are not sorted at TDSAT then Airport Operators have to approach Supreme Court.

135. The Committee notes the contradictory replies received from the Ministry and the APAO. While the AERA claims that extensive consultation is being done with stakeholders for tariff determination, the APAO have stated that airport operators have limited

opportunity to be heard by the AERA during the consultation process. The Committee is of the opinion that the consultation process of the AERA should be fully transparent and all the concerns of the stakeholders should be heard and after due examination, their suggestions should be effected in the tariff determination process.

136. The Committee also notes the long drawn out process for approaching TDSAT or the Supreme Court for appeal against orders of the AERA. The Committee recommends that a mechanism may be devised by the Ministry in consultation with all the airport operators/ stakeholders to hear the genuine concerns/ suggestions of the airport operators in the first instance itself, so that the need for appealing against the orders of the AERA in TDSAT or Supreme Court can be avoided.

137. The APAO in its written reply to the Committee informed that the AERA is currently determining tariffs based on guidelines / directions which lack the legal sanctity of Regulations. Even though the AERA Act, 2008 has provisions regarding the need to formulate Regulations, the AERA is yet to do the same. The representative of the APAO stated that this is one of the critical changes that needs to be brought in so that there is parliamentary sanction to the way that airports are to be regulated in India.

138. The Committee takes note of the observation of the APAO that though the AERA Act has provisions regarding the need to formulate regulations, yet the regulations are yet to be formulated. The Committee notes the delay in formulation of regulations by the AERA and desires to know the reasons thereof. The Committee recommends that the regulations may be formulated at the earliest. The details of the measures that are sought to be introduced through the said regulation to regulate airports may also be explained.

III
SUGGESTIONS/ POSSIBLE SOLUTIONS FOR AFFORDABLE AIRFARES

Price Lock Option

139. The Committee is aware that many airlines across the world are offering a 'price lock' option whereby customers can book air tickets by reserving their seats without paying for the actual price of the ticket upfront. By paying a nominal non-refundable fee for 'price lock', customers are secured against any price hike as they can purchase the ticket later at the locked-in price. In India, some airlines have also recently rolled out the price lock option. Accordingly, the Committee enquired from the Ministry of Civil Aviation and the private airlines, the advantages and disadvantages of the price lock option and the feasibility of implementing the price lock feature in India.

140. The Ministry, in its written reply, stated that currently, there are provisions for governing airlines offering such price lock features; however, it is purely an airline's commercial decision. However, some airlines like SpiceJet, Go Air, Indigo and a few travel agents provide 'price lock option' on certain sectors wherein passengers have the option to lock the price of ticket with a minimal fee (non-refundable).

141. The various airlines *viz.,* Air Asia, Air India, GoFirst, Indigo and SpiceJet, mentioned the advantages and disadvantages of price lock option, which are indicated below:-

Advantages-

- Offers a customer a fixed price for a short duration by giving them enough time to confirm their travel plans;
- Enables a customer to lock a fare against a specified fee for specific period within which the customer can purchase the ticket with protection against price fluctuation; and
- Offers peace of mind that the seats would be available for the protected time period.

Disadvantages-

- Generally, the fee is not adjusted against the ticket price and if the customer chooses not to travel, then the price lock fee will be wasted;
- The scheme is available only on advance purchase and not offered for flights close to departure;
- If the customer locks-in a seat but later does not confirm it, there is a possibility that the airline would have lost demand from some other customer who was willing to travel but could not find the seat at the time of the booking as the seat was 'locked-in' by the first customer; and
- It may result in many seats remaining vacant on a flight, which would impact the commercial viability of the flight, leading to a scenario where airlines either revoke the 'lock-in' product or raise the fares for the rest of the travelling customers.

142. Air Asia also added that the fare lock product has been experimented by few airlines in the past but the demand for such a product from Indian consumers has not been significant. Further, Air India and Indigo stated that as per DGCA mandate, airlines already allow a 24 hours free look-in period for all tickets purchased beyond 7 days to departure. Air India also stated that it is feasible to implement fare lock in India and they are already working towards building the necessary infrastructure to implement fare lock as an option for customers.

143. It has been ascertained from the replies of GoFirst and SpiceJet that the price lock feature is already available on their respective websites. Whereas, Indigo is already allowing consumers to lock-in a fare until 15 days prior to departure from the time of booking at a charge, which gets adjusted when they pay for the seat(s) held under such an option.

144. Vistara, in its written reply, informed the Committee that while a price can be secured in advance by the passenger, considering the dynamic nature of the fares, they may lose out on availing any cheaper fare which may be rolled out later. Further, they added that it requires the capability of the system to handle the price lock feature.

145. The Committee notes the replies furnished by the Ministry and various airlines on the price lock option. The Committee also notes that airlines across the world are offering lock-in option and even in India, airlines such as Air India is already working towards building the necessary infrastructure to implement fare lock as an option for customers. The Committee desires to know the details about the 'free look-in' option exercised by the airlines as per the DGCA mandate.

146. Further, the Committee opines that exploring the feasibility of implementing the option of 'price lock' would be a favourable step for customers, which, in turn, can spike the demand for air travel. The feature would help the customers make better travel decisions by allowing them to book tickets by reserving seats without paying for the actual price of the ticket upfront. Keeping in mind the high fee charged for cancelling or rescheduling a flight and built-in uncertainties in the market driven dynamic nature of fare, the Committee opines that the option of 'price lock' would provide the customers some time to confirm the ticket depending on finalisation of their travel plans, besides protecting them against any fare hike. The Committee, therefore, recommends that the Ministry should devise a mechanism to encourage all the airlines to implement the 'price lock' option wherein customers can reserve their booking with or without paying a nominal fee.

Capping of Airfares – Upper and Lower

147. During the course of one of the Committee meetings on the subject, the Committee enquired about the capping of fares which was implemented during the Covid pandemic. The Ministry of Civil Aviation responded that the regulation of fares was imposed by the Ministry to take care of an emergency situation. Further, the Committee enquired from various airlines

whether the system of lower and upper price caps for domestic airlines has been considered by the private airlines and challenges/difficulties faced thereof.

148. Air Asia in its written reply stated that airfare caps go against the principles of a market-based system and distort the free market dynamics and may change the demand supply dynamics. Since the marginal cost of an additional passenger onboard is negligible and the seat inventory is perishable, it is in the interest of airlines to lower the fares to fill any empty seat on a flight. Implementing any kind of lower fare cap would mean such travellers who cannot afford higher fares would not be able to access air transportation at a fare which is comparable to surface transport. On the other hand, airlines cross-subsidize these low fare seats by charging high fares to customers with higher affordability (e.g. corporate customers). Capping fares would lead to flight operations becoming unviable which, in turn, would lead to airlines reducing capacity. This, in turn, would lead to increase in average fares thereby defeating the very intent with which the fare regulation is formulated. Reduction in capacity would also hurt the economic and tourism activity. In the long term, ensuring free and fair competition works in the interest of consumers.

149. Air India opined that most airlines always desire to operate under an open market condition without any restriction. Indigo informed that they adhere to Air Transport Circular 02 of 2010, wherein they are required to display the tariff sheet route-wise across their network in various fare categories/buckets and the manner in which it is offered in the market, on their website. Further, they do not charge airfares outside the price ranges declared. Indigo also added that they do not intend to place lower price floors or upper price caps on their airfares as doing so would be detrimental to market growth as well as their ability to offer affordable fares to stimulate the market. The outcome of placing such floors and caps will only be to result in higher prices overall.

150. SpiceJet responded to the queries of the Committee and stated that as and when advised by the regulatory authorities, SpiceJet Limited has always adhered to such practices. In the absence of any regulatory advisory on the same, these factors are solely driven by the market conditions.

151. The representatives of Vistara also informed the Committee that the fares are dynamic in nature and are governed by the demand and supply relationship. The offered seats are limited and perishable in nature. The market demand varies leading to an increase or reduction of the airfares and hence globally airlines have free flow to manage the seasonality and perfect competition to optimize the demand and supply.

152. The Committee notes that the Ministry introduced price caps as a temporary measure during COVID pandemic and these caps were removed *w.e.f.* 31st August, 2022, after reviewing the situation. The implementation of price caps indicates that the Ministry/ DGCA is empowered to keep a check on the airfares, if deemed necessary. The Committee

also analysed the replies received from various airlines and notes that all the airlines have opined against implementing upper and lower fare caps. They have added that most airlines prefer to function, without any restrictions, in an open market condition. The Committee also notes that due to the absence of any capping on airfares, the prices of tickets increase manifolds, especially during the holidays and festival season, so much so that at times the domestic sector fares are more than the fares on the international routes.

153. The Committee is of the view that certain factors, including the capacity constraints, demand-supply situation and fuel prices, should be taken into consideration for determining prices. The Committee also understands that it is necessary to give an open opportunity to the airlines to operate in the market; however, interests of common man should also be considered. The Committee, therefore, recommends that to promote the accessibility of air transport to the common man, the Ministry should introduce reasonable upper fare caps on all the airlines, taking into account all relevant factors including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff as envisaged in Rule 135 (1) of the Aircraft Rules, 1937. The Committee feels that it is essential to maintain a pricing discipline to protect the interests of both the airline operators and the commuting public.

Display of Seat-wise Fares on website

154. The Committee enquired from the Ministry of Civil Aviation and various airlines, the method adopted to display the cost of each seat of the aircraft for selection by the passenger while booking tickets, the feasibility of displaying airfare of each of the seats offered to the customers at the time of booking. In this regard, the Committee asked for comments from the Ministry of Civil Aviation and various private airlines.

155. The Ministry, in its written reply, stated that currently, there is no provision which requires airlines to publish airfare for each seat offered to the customer at the time of booking on their website. The airlines sell tickets as per their respective distribution system, which is in line with the practice followed worldwide.

156. In response to the query of the Committee, Air Asia stated that airfares for a particular flight vary depending on the Reservation Booking Designator (fare level), which is open for sale at the time of booking. Seat selection is an independent activity not related to the purchase of the ticket. A customer may choose not to pay additionally for a seat, in which case they will be auto-assigned a seat during check-in. Details of the various fare levels filed by the airline on a particular sector are published on the airline website and hence are accessible to the customer.

157. Air India also informed the Committee that as airfare is dynamic, at a given point of time, all seats in the same cabin will be priced at par and which is why the same is not displayed. The Air India Group (Air India and Air India Express Connect) informed the Committee that pricing in any industry is an important competitive lever. Publishing the quantity of seats that the airline

intends to sell at each fare would mean giving away this important competitive advantage. The revenue management system continuously adjusts the seats to be sold in different RBDs (fare classes) based on the demand forecast. If the demand realisation is lower than projected, the Revenue Management System may push more seats to lower fare classes. If the airline makes its seat inventory allocation plan public, then in a low-demand scenario the competitors can price their inventory lower than the airline and walk away with all the demand. On the other hand, in the high-demand scenario the competitors will let the airline sell out its inventory at lower fare and then offer higher fare. It is, therefore, neither in the interest of the consumers nor in the interest of developing a healthy competitive industry to get airlines to display their inventory allocation plan.

158. The representatives of Indigo added that this practice is anti-competitive as well as anti-consumer, as competition will be able to price higher if they realize that other airlines have less seats available at lower prices. SpiceJet also added that they always publish the tariffs which are being charged to the customer under the different head at the time of booking in order to keep passengers well informed. However, display of fare for each seat at the time of booking is not feasible. Also, it would simultaneously lead to confusion in the context of different airlines having different pricing due to the dynamic nature of the industry.

159. SpiceJet informed the Committee that the uncertainty of the market plays a critical role in healthy competition. Displaying the fares of respective seats does not, at all times, result into a competitive price as it might also result in an adverse scenario given the players in the market and their risk appetite. SpiceJet also opined that such scenarios would be anti-competitive and in longer run, would also be detrimental to the interest of the ultimate consumer.

160. Vistara, in its written submission, stated that it gives choice and freedom to the passenger to choose a product of their choice and derive a value out of the purchase. Displaying multiple price points to customer requires a complete change at distribution and IT system, which is now working on lowest fare display.

161. The Committee notes the comments furnished by the Ministry and the private airlines as regards displaying of seat-wise fares on the airline website. The Committee desires to know whether any study has been carried out to examine the feasibility of displaying of airfare of each of the seats offered to the customers at the time of booking. The Committee is of the opinion that the display of seat-wise fares will provide utmost transparency to the customers, making the airfare system being followed, more credible and trust-worthy.

162. The Committee, therefore, recommends that the Ministry of Civil Aviation may explore the possibility of implementing the practice of displaying details of the available number of seats in various categories in an aircraft, alongwith the prices, as is being displayed by Indian Railway Catering and Tourism Corporation (IRCTC) on their website

for railway bookings. By doing so, the airlines can also take into account the dynamic pricing mechanism as prescribed by their respective Revenue Management System, while establishing reasonable fares. The price of tickets on a certain flight may increase closer to the departure date as in the case of railway seats.

Passenger Grievance Redressal

163. The Ministry of Civil Aviation informed the Committee that the aggrieved passengers can lodge their grievances through the Centralized Public Grievance Redress and Monitoring System (CPGRAMS), an online portal administered by the Department of Administrative Reforms and Public Grievances (DARPG) and AirSewa Portal managed by the Ministry of Civil Aviation. These grievances are taken up with the concerned airlines for redressal. If the petitioner is not satisfied with the resolution of grievance by airline, he/she has the option to file an appeal. Disposal of the grievances is monitored at various levels. Every airline appoints a nodal officer and an appellate authority and displays their contact details on their respective websites.

164. Moreover, the passenger may complain directly to the airline in the event of airfare-related complaints. If the passenger is not satisfied with the resolution of grievance by the airline and/ or AirSewa Portal, the passenger has the liberty to complain to any statutory body/ court set up under relevant applicable laws.

165. In response to a query of the Committee regarding the penalties being imposed on airlines in case they do not provide appropriate relief to the passengers, the Ministry replied that the DGCA has issued following Civil Aviation Requirements (CAR) in order to ensure appropriate relief to affected passengers:

i. CAR Section-3, Series M, Part IV “Facilities to be provided to passengers by airlines due to denied boarding, cancellation of flights and delays in flights.”
ii. CAR Section 3 – Air Transport Series ‘M’ Part I titled “Carriage by Air - Persons with Disability (Divyangjan) and/or Persons with Reduced Mobility”.

166. Further, as part of the monthly submission of data by airlines, the DGCA captures the data pertaining to total number of passengers affected by denied boarding, cancellation of flights and delays in flights and the compensation given by airlines. This data is published in the Traffic Report on DGCA website as part of compliance of the CAR. DGCA for non-compliance of applicable CARs, imposes financial penalty under Aircraft Rules, 1937. For instance, the penalties imposed by DGCA for non-compliance of above mentioned passenger-centric CARs is as follows:

i. Rs. 5,00,000/- was imposed on Indigo in May, 2022 for violation of provisions of CAR Section 3-Air Transport, Series M, Part I titled Carriage by Air - Persons with Disability (Divyangjan) and/or Persons with Reduced Mobility.

ii. Rs. 10,00,000/- was imposed on Air India in June, 2022 for violation of provisions of CAR Section-3, Series M, Part IV "Facilities to be provided to passengers by airlines due to denied boarding, cancellation of flights and delays in flights."

167. The Committee also queried from airlines regarding steps which have been taken to enforce a proper grievance redressal mechanism for passengers for airfare-related complaints and average time taken for redressing passenger complaints. In response, the Air India Group (Air India Limited and Air India Express Connect Limited) informed the Committee that for any service related complaints, the customers are able to either reach the airline support channels (contact center, chat-bot, email, social-media handles) directly or are able to register their grievance on DGCA AirSewa portal or on the Consumer Helpline and the prescribed timelines for grievance redressal varies between 3-15 days. SpiceJet stated that their customer support is accessible and works on a 24x7 basis and they attend to all of the customer's concern as soon as possible.

168. The Committee notes and appreciates the steps being taken by the Ministry to address and resolve passenger grievances. The Committee would like to be apprised whether the existing Civil Aviation Requirements (CARs) include a separate clause of redressal of complaints arising due to exorbitant airfares. If not, the Ministry may examine the feasibility of incorporating such a provision.

169. The Committee feels that to protect passengers against unreasonably high airfares, there is a need to ensure that a proper and effective mechanism is in place to redress their grievances in a time-bound manner. The Committee recommends that the Ministry should strengthen the mechanism to monitor the instances of non-compliance of applicable CARs.

170. The Committee also feels that there is a need to popularise the existence of grievance redressal mechanism such as CPGRAMS or AirSewa Portal as most of the passengers are not aware of it. The Committee recommends that these portals should be advertised through social media and other available modes.

171. The Committee also opines that airlines need to create awareness and educate the passengers who do not travel frequently, about the working of the airline system in general *viz.,* ticketing procedure, fares, luggage handling and other issues which may emerge during travelling. The Committee recommends that the Ministry may direct the airlines to create awareness and educate passengers about the varied aspects of the travelling procedures.

IV
MISCELLANEOUS ISSUES

Regional Connectivity Scheme (Ude Desh ka Aam Nagrik)

172. The Committee is aware of the fact that under Regional Connectivity Scheme (RCS) – Ude Desh ka Aam Nagrik (UDAN), Viability Gap Funding (VGF) is being provided to the airlines for connecting tier 2 and 3 cities. Airlines are required to commit around 50% of seats as RCS seats (upto 40 seats) on RCS flights. Further, while the Government had initially capped the Airfare at Rs. 2,500 for a 1-hour flight when the scheme was launched in the year 2016 and this capping is subject to indexation as per the formula in the Scheme. Accordingly, the Committee enquired from the Ministry of Civil Aviation whether there is any proposal to increase the upper limit of 40 seats given the surge in demand for air travel in tier 2 and 3 cities. Also, the Committee desired to know the details of how the indexation formula operates for RCS fare pricing.

173. The Ministry in its written reply submitted that as of now, there is no proposal to increase the upper limit of 40 RCS seats as increasing the number of RCS seats would consequently require a greater VGF outflow which may not be financially viable at this stage. Further, Airfare Cap Indexation is done with reference to the core underlying cost drivers for an airline, namely, Consumer Price Index-Industrial Workers (CPI-IW), Aviation Turbine Fuel prices and the exchange rate between Indian Rupees and United States Dollar (USD). It is calculated as follows:

*Airfare cap (Quarter 2) = Airfare cap (Quarter 1) * [1+ (change in Consumer Price Index) * 50% + (change in Aviation Turbine Fuel prices) * 25% + (change in exchange rate b/w INR and USD) *25%]*

174. The Ministry also stated that the capped amount of Rs. 2,500/- for a 1-hour flight has increased in the last 07 years as a result of the changes in the underlying factors pertaining to the indexation process.

175. The Committee notes that there is a capping as regards the number of seats on RCS flights, which stands at 40 at present. Besides, the initial capped airfare of Rs. 2,500/- has also increased. The Committee recommends that the Ministry may look into the possibility of increasing the number of RCS seats and also lowering the capped airfare, so as to cater to the increasing demand for air travel in Tier 2 and Tier 3 cities, as the cardinal objective of this Scheme is to connect the unserved and under-served airports and make it affordable for the common man. The Committee would like to know the details of the present capping amount for RCS flights, for different duration of flights. The Committee also recommends that the Ministry should publish such airfare caps applicable for RCS, for ensuring transparency of fares.

176. The Committee also enquired from the private airlines, the details regarding their participation in the Regional Connectivity Scheme and the difficulties being faced by them in participating in the Scheme. The responses of various airlines are given in **Annexure-X.** In its written reply, the representatives of SpiceJet highlighted certain difficulties being faced by them in participating in the RCS Scheme. At times, the Airlines are not able to generate good revenue due to very poor demand, which results in losses to the Airline. Further, it takes more than 3 years to establish such flights/routes which are either unserved or underserved. Hence, they recommended that the Government should increase the exclusivity period of an RCS route from 3 years to 5 years. They also suggested that the Government should look into revision in VGF value only for those particular routes where the stage length is much higher and the passenger demand is very low.

177. The Committee observes that only GoFirst, Indigo and SpiceJet have participated in RCS-UDAN Scheme, till date. However, post the recent bankruptcy of GoFirst, only two airlines *viz.,* Indigo and SpiceJet will remain in RCS. The Committee also notes that Air India Express Connect is planning to participate in the RCS Scheme. The Committee would like to know the reasons as to why the other major airlines are not participating or plan to participate in future. The Committee recommends that the Ministry should rollout new bids for the Scheme in future, after due consideration of the suggestions of the stakeholders and ensure maximum participation from airlines to ensure improved air connectivity in the country. The Committee also recommends that for the future success of the Scheme, the difficulties being faced by certain airlines under RCS and their suggestions thereof, may be looked into.

178. The Committee is also aware that airport operators are required to provide certain concessions to airlines to reduce cost of operations on selected routes under the RCS-UDAN Scheme. In this regard, the Committee enquired from the Association of Private Airport Operators (APAO) about the various concessions being provided currently by airport operators under RCS-UDAN. The APAO, in its written reply stated that concessions offered by the airport operators are as follows:

- Airport operators (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) shall not levy Landing Charges and Parking Charges or any other charge subsuming a charge for such aspects in future on RCS Flights.
- Selected Airline Operators shall be allowed to undertake ground handling for their RCS Flights at all airports.

179. The Committee also notes the concessions being extended by the airport operators to the airlines operating under the RCS-UDAN Scheme. The Committee appreciates the steps being taken for reducing the cost of operations by not levying Landing and Parking

Charges on RCS flights and desires to know the quantum of concession that has been provided to the airlines in this regard, since the inception of the Scheme, year-wise.

Access to Reserved Lounges at Airports

180. The Committee is aware that airports are operating reserved lounges to offer services to Government officials, Members of Parliament, and other constitutional/public functionaries and dignitaries. For non-AAI airports being operated by private operators, it has been observed that access to reserved lounges is being offered to ineligible persons by charging a high admission fee. Accordingly, the Committee enquired from the Association of Private Airport Operators (APAO), the reasons as to why airports are allowing ineligible persons to access reserved lounges on a chargeable basis.

181. In its written reply, the APAO stated that it is not allowing ineligible persons to access Reserved Lounges at any of its airports and only entitled dignitaries are given this facility. Separate lounge facilities are available for other passengers. The detailed reply of the APAO is placed at **Annexure-XI.**

182. The Committee recommends the Ministry to issue guidelines, directing all the airport operators to ensure that only the entitled Dignitaries/ Government Officials can access the reserved lounges at airports. The Committee further recommends that the said guidelines should also include the provision of comfortable seating; quieter environment; and better access to customer service representatives at these reserved lounges for entitled persons.

Bankruptcy of GoFirst

183. The Committee is aware of the Reports on recent bankruptcy conditions faced by GoFirst. The Committee notes that the sudden withdrawal of around 200 flights per day by GoFirst has led to a rush for ticket cancellations by flyers, leading to increase in bookings of other airlines. This sudden spike in demand has subsequently resulted in a sharp surge in airfares. Further, even Directorate General of Civil Aviation (DGCA) was not made aware by GoFirst about its plan to suspend services, which amounts to a violation of applicable rules. In light of the above, the Committee enquired from the Ministry the steps taken to address this situation of airfare surge on routes where GoFirst operations were significant and how the Ministry proposes to safeguard against such situations from arising in the future. The Committee also took up the issue with the representatives of the Ministry of Civil Aviation during its Study Visit to Goa on 8th July, 2023.

184. The Ministry, in its written reply informed the Committee that the Tariff Monitoring Unit in DGCA monitors airfares on certain routes on monthly basis to ensure that the airlines do not charge airfares outside their established fares and ensure compliance of prevailing regulations on

airfare (Rule 135 of the Aircraft Rules, 1937). Consequent to the suspension of operations by GoFirst, the fares on sectors, where GoFirst had significant operations, are being monitored.

185. In light of GoFirst's bankruptcy, the Committee also took into account the factor that as the demand side has gone up and supply side has fallen, the Ministry of Civil Aviation has reportedly asked airlines to prevent exorbitant ticket rates on Go First's dominant routes. In this regard, the Committee enquired from the airlines as to what steps are being taken by them.

186. Air India Group (including Air India and Air India Express Connect) informed the Committee that they have not adjusted its pricing ladder on routes exited by GoFirst. They have also actively intervened in its Revenue Management System to artificially moderate demand expectations and thereby depress prices versus what they would otherwise have been. Additionally, Air India Group has mounted additional flights to replace GoFirst's capacity to the maximum extent possible given finite aircraft and crew, and is engaging with aircraft manufacturers to accelerate new aircraft deliveries.

187. SpiceJet informed that they have attempted to comply with and cater to the instructions of Ministry including the initiative of adding more flight to such routes. They are making constant efforts to provide for an alternative, so that a competitive and fair market can always be maintained. Vistara stated that airline pricing in a competitive and growing market like India, will always depend upon competition. While in some Sectors, fares have surged due to demand and supply side considerations, a sustained high fare environment is not beneficial for airlines as well, since this will hamper demand and ultimately lead to lower prices.

188. The Committee notes the replies provided by the Ministry and airlines in respect of bankruptcy of GoFirst and notes that the situation has resulted in the surge in airfares on certain routes, leading to increase in monopolistic practices. As per the recent Media Reports, the prices of tickets on sectors being earlier operated by GoFirst *viz.,* Delhi-Leh, Delhi-Srinagar, Delhi-Bagdogra and others have increased exorbitantly in a mere span of two months.

189. The Committee is also aware that due to the suspension of operations of GoFirst, their lessor would now want to recover aircrafts from the operator. Due to this, the Committee opines that this may lead to lowered world ranking of India, on leasing aircraft index, by the world rating agencies. This may subsequently lead to increased cost of lease rentals impacting the air tariff adversely.

190. The Committee notes that even Directorate General of Civil Aviation was not made aware by GoFirst about its plan to suspend services, which amounts to a violation of applicable rules. The Committee, therefore, recommends that the Ministry of Civil Aviation and DGCA should intervene, take cognizance of this grave situation and issue

necessary guidelines to the other airlines to keep a tab on the affected operations and airfares. The Committee also recommends that the Ministry should look into the possibility of developing a contingency plans to deal with such situations, arising due to the sudden exit of any airline in the future.

Grant of 'Point of Call' Status to Airports

191. The Committee feels that the decision of the Ministry to not grant 'Point of Call' status to international airports is preventing the international airlines to operate in the country, leading to a situation of monopolistic/oligopolistic market by the domestic airline operators wherein they are charging high airfares. The Committee opines that a broad parity should be maintained between the international and domestic carriers for aviation operations in the country.

192. The Committee, therefore, recommends that the Ministry should identify a balanced approach to liberalize the guidelines for granting of 'Point of Call' status to the airports to enhance air connectivity. The Committee is of the view that better connectivity to international airports in the country will provide more options to passengers, to choose from and aid in rationalising airfares.

Improper Behaviour of Airline Staff and other Passenger Grievances

193. On many occasions, the Committee has deliberated upon and taken cognisance of the instances of unruly behaviour of airline staff and manhandling of passengers. The Committee takes note of such cases as highlighted in the recent Media Reports. The Committee is also aware that the airline buses used to ferry passengers from the airport terminal to the aircraft and *vice-versa*, are often crowded due to lack of sufficient bus services provided by the airlines. The Committee is of the view that concrete steps should be taken to address such issues. The Committee, therefore, recommends the Ministry/DGCA to take note and examine such complaints and take corrective actions against the concerned airline.

***

RECOMMENDATIONS/OBSERVATIONS – AT A GLANCE

Airfare Regulations in the Past

The Committee notes the Airfare regulations that existed in the past and observes that the Air Corporations Act, 1953 required the various airline corporations to seek approval of Central Government for fixing airfares. Thereafter, on 21st March, 1994, the said Act was repealed and the Indian Domestic Aviation Sector was totally deregulated and the airlines had the freedom to fix airfares.

(Para 4)

The Committee notes that as per the airfare regulations existing earlier, the airfares were fully regulated by the Government which had put in place a mechanism to keep airfares under check. Thereafter, deregulation of airfares effectively came into effect from 21st March, 1994 with the repeal of the Air Corporation Act, 1953 and the various airlines were free to fix airfares.

(Para 5)

Existing Legal Provisions

Rule 135 of the Aircraft Rules, 1937

The Committee notes the amendment in Rule 135 of the Aircraft Rules, 1937 on 16th April, 2009, which presently forms the basis of the legislation for airfare regulations. It also notes that as per the Rule 135(1), the airlines shall establish tariff, keeping in mind factors such as reasonable profit besides cost of operation, characteristics of service and generally prevailing tariff, to rationalise airfares despite its deregulation, consequent upon repeal of Air Corporations Act, 1953.

(Para 8)

The Committee also observes that Rule 135(2) requires the publication of the tariff by the airlines on its website/ daily newspapers or displaying it conspicuously in their office/ or the agent's office. Further, Section 135(2A) requires the airlines to show the total amount payable by the passenger including the breakup such as taxes, fees for services/ facilities or other charges, which should be mentioned in the passenger ticket *vide* Rule 135 (2B).

(Para 9)

The Committee notes another significant requirement in Rule 135(3), wherein every airline is required to maintain all records relating to tariff and the requirement to produce such records to Directorate General of Civil Aviation (DGCA) for inspection. The Committee observes that the aforesaid Rule provides for supervision and inspection of DGCA (Ministry of Civil Aviation) on air tariffs being fixed by the airlines.

(Para 10)

Rule 135 (4) also empowers the DGCA to issue directions to airlines, if it is satisfied that the airlines have charged excessive/ predatory airfares or indulged in oligopolistic practice. Further, as per Rule 135 (5), the aforesaid directions of DGCA have to be compiled with by the airline concerned.

(Para 11)

The Committee, therefore, observes that ever since the amendment made in Rule 135 of the Aircraft Rules, 1937 in April, 2009, sufficient legislative safeguards have been made in the Aircraft Rules, 1937, to ensure that airfares are affordable and in case of any violation by the airlines, the Government can take action against the said airline regardless of the deregulation of the airfares, due to repeal of Air Corporation Act, 1953. The Committee calls upon the DGCA, Ministry of Civil Aviation to safeguard the interests of the air commuters by invoking the overriding powers vested on it in the Rules.

(Para 12)

Power of DGCA to Regulate Tariffs

The Committee observes that DGCA has a Tariff Monitoring Unit that monitors airfares on certain routes at regular intervals to ensure that the airlines do not charge airfares outside a range declared by them. However, the DGCA does not have any power to regulate tariffs based on the data generated by the Tariff Monitoring Unit as the process of airfare regulation has been dispensed with, consequent upon the repeal of the Air Corporation Act, 1953.

(Para 17)

The Committee notes that Section 135(3) of the Aircraft Rules, 1937 empowers the DGCA to inspect the records of tariff as produced by the airline operators and also empowers it to issue directions in case it has established excessive tariff [Section 135(4)]. The Committee observes that though Tariff Monitoring Unit of DGCA has been setup to maintain oversight, yet the airlines are charging excessively, leading to surge in airfares. The Committee recommends that the Ministry should evolve a mechanism to reconcile between 'tariff monitoring' by DGCA and 'deregulation of airfare' to tilt the balance in favour of empowering the DGCA to regulate air tariff as per Rule 135(3) and expanding its responsibility beyond monitoring tariff only. The Committee desires to know whether a Unit or Agency like Tariff Monitoring Unit (TMU) exists in other countries as well and mechanism adopted by them to regulate fares.

(Para 18)

The Committee is also aware that the Securities and Exchange Board of India (SEBI), an autonomous body, has been setup for regulating the securities market and to protect the interest of investors. The Committee opines that on similar lines, the feasibility of setting up of a monitoring and controlling body under the Ministry of Civil Aviation may be examined, to monitor and keep a check on the surge in airfares to protect the interests of the commuting public. The Committee, therefore, recommends the Ministry to constitute a separate monitoring body like the SEBI, with quasi-judicial powers to enforce the collection of reasonable airfares from the passengers.

(Para 19)

The Committee took exception to the Ministry's concluding remarks during the presentation and during their deposition in the meeting of the Committee held on 8th May, 2023, and their written replies that regulation of airfare is not desirable for the overall growth of the aviation sector. The Committee reiterates its view that passengers should

receive a fair deal at all times and recommends that the Ministry should have a relook in its policy regarding regulation of airfare tariff in view of the sudden surge in airfares in normal times as also during disasters and calamities and take appropriate actions in consonance with the powers delegated to it under Rule 135 of the Aircraft Act, 1937.

(Para 22)

The Committee notes that presently airlines are free to charge reasonable airfares as per their operational viability subject to compliance of Rule 135(1) of the Aircraft Rules, 1937. Besides, currently, there is no provision under which Government is required to monitor the seat booking fees of airlines and the airlines sell tickets as per their respective distribution system, which is as per the global practice.

(Para 25)

The Committee also observes that most of the airlines except AI Express had accumulated losses from FY 2019-20 to 2021-22.The Committee is aware that the Civil Aviation Industry had suffered a major setback on account of Covid-19 pandemic and needs to recover its losses and regain its pre-pandemic level and then grow at an even faster rate to realise its set targets. As such, the Committee is of the opinion that a fine balance needs to be maintained so that the interests of the airlines as well as the passengers are kept in mind.

(Para 26)

The Committee notes that the Airports Economic Regulatory Authority (AERA) has a mandate to determine tariff for aeronautical services of Major Airports only, *vide* Section 13(1) (a) of the AERA Act, 2008. Since the tariff for aeronautical services is one of the components for airfares, the Committee desires to know how airfare is determined across Airports even though aeronautical service charges are applicable only to Major airports.

(Para 28)

Reasonable Profit, Generally Prevailing Tariff and Mechanism followed for Fixing Airfares

The Committee notes that though the term 'reasonable profit' is given under Rule 135(1) of the Aircraft Rules, 1937, yet there is no specific definition or Rule or any other guidelines to define it and these expressions are liable to be misunderstood, besides encouraging arbitrary actions. The Committee is of the opinion that the term 'reasonable profit' should be clearly defined in the Rules, taking into account various financial and operational factors, as it is the most significant aspect for controlling surge in airfares, which affects the common man.

(Para 32)

The Committee notes the replies of the representatives of various airlines as regards its query on the mechanism adopted by them to calculate the quantum of 'reasonable profit'. The airlines had commented that the prevailing air tariff on a particular route is a result of demand-supply balance. Besides, airlines work on a 'Cost Recovery Model', so as to recover all costs related to flight operations, rather than on a set target to achieve 'reasonable profit'. One of the airlines had also stated that they do not set a target 'reasonable profit' and the practice of 'Revenue Management' is followed which takes into

account demand and supply. Representatives of an airline had also stated that pricing aspects depend on market situation and the ticket fares cannot be quantified in advance.

(Para 41)

As regards, the Committee's query regarding the minimum number of tickets needed to be sold on a particular route for airlines to break-even, the airlines were of the opinion that since most of the airlines have been unprofitable for most parts of their existence, the airlines were not able to achieve break-even point. Hence, currently, no such system exists in India. Airline representatives opined that the number of tickets sold for break-even depends on demand-supply dynamics based on which Revenue Management System does the pricing.

(Para 42)

The Committee observes that though the concept of establishing tariffs on basis of 'reasonable profit' is ingrained in the Rule 135(1) of the Aircraft Rules, 1937, yet none of the airlines has adopted a mechanism to calculate the quantum of 'reasonable profit'. All the airlines are instead following the demand-supply dynamics through the 'Revenue Management System' and hence, airfares are fixed accordingly.

(Para 43)

The Committee understands that the fixing of airfares depends on various conditions which are subject to variation of the demand-supply dynamics of the market and the airlines have to account for these factors for maintaining economy of operations. The Committee is, however, of the opinion that a balance has to be maintained between the commercial interests of the airlines as well as the interests of the passengers. It is of the opinion that to fix airfares at reasonable and affordable rates, the airlines need to adopt the concept of 'reasonable profit' drawing from the best international practices. The Committee, therefore, recommends that the Ministry in consultation with the airlines should devise a mechanism or a formula, so that the concept of 'reasonable profit' as provided explicitly in Rule 135(1) of the Aircraft Rules, 1937 is adhered to.

(Para 44)

The Committee also analysed the financial information in respect of Capital Investment; Working Capital; Revenue Expenditure; Fixed Cost; Operating Expenditure; Net Income; and Profit/Loss, as received from various airlines *viz.,* Air Asia, Air India and Indigo. The Committee notes that over the last three financial years (2020-21, 2021-22 and 2022-23), the Operating Expenditure of Air India has increased every year, however, the Net Income has reduced from -7,084 crore to -11,381 crore over this period. Air Asia has also reported a steady increase in the Operating Expenditure and an increase in the Net Income as well, over the last three financial years. In respect of Indigo, the total expenses incurred by the airline have increased from 2020-21 to 2022-23, whereas the losses have drastically reduced from a staggering Rs. 5,818.1 crore in 2020-21 and Rs. 6,153.7 crore in 2021-22 to a meagre Rs. 304.4 crore in 2022-23. For SpiceJet, the Operating Expenditure has increased by around 45% from 2020-21 to 2021-22, while, the Net Income has reduced from Rs. 1,107.8 crore to Rs. 60.2 crore in this period. As regards Vistara, the Operating Expenditure has increased approximately three times from Rs. 4,312 crore in 2020-21 to Rs. 12,753 crore in

2022-23, whereas the airline has reported losses amounting to Rs. 1,612 crore in 2020-21 which reduced to Rs. 1,393 crore in 2022-23.

(Para 45)

As per the information provided by the various airlines, the Committee notes that in most of the cases, the Operating Expenditure has increased substantially, while the income has reduced, leading to net losses for most of the airlines. It also notes that Air Asia has incurred a net income despite incurring an increase in Operating Expenditure. The Committee would like to know the reasons, why Air Asia has been an exception and could post increase in net income despite incurring increase in Operating Expenditure, like other airlines. The Committee opines that it is crucial to scrutinise the audited financial data furnished by the airlines on a regular basis and DGCA should take cognisance of any discrepancies reported by the airlines and take corrective actions.

(Para 46)

Global Data Analysis

The Committee notes the analysis of the ACI, which highlights the progressive increase in airfares both in domestic and international routes both in Indian as well as in other international markets. The Committee also notes the concerns of the ACI on excessive airfares which in the long term would reduce the demand for air travel and have a detrimental effect on its future growth.

(Para 49)

The Committee also notes ACI's advice to the Airlines to exercise fair pricing that supports recovery and safeguards consumers' interests. ACI also advises the airlines against exploiting the supply-demand imbalance at the expense of customers by restricting capacity.

(Para 50)

The Committee notes the observations of the ACI and is of the opinion that the airlines need to take a relook at the high pricing of the airfares keeping in view the long-term aspects. It also recommends that the Ministry may formulate policies to encourage the airlines to increase capacity and induct more aircrafts, which will rectify the supply-demand imbalance, and further benefit the passengers besides aiding the recovery of the Civil Aviation sector in India.

(Para 51)

Publication of Information on Website

The Committee notes the replies received from various airlines wherein they have informed that none of these airlines are displaying misleading information on their websites and they are selling tickets as per the practice being followed worldwide. The Committee also notes the reply of the Ministry stating that DGCA has not received any such complaints substantiating that airlines are misleading the public with incorrect information. It, however, notes the reply of an airline stating that sometimes the online flight booking portals may show fares which are more than the fares fixed by the airlines.

(Para 59)

The Committee recommends that a mechanism should be put in place by the Ministry of Civil Aviation in coordination with Ministry of Tourism and airline companies to regularly monitor the flight booking portals/ aggregators so that they do not indulge in unscrupulous practices by publishing incorrect information under the guise of selling "last seats". In such cases, the Committee recommends that the Ministry should consider issuing necessary guidelines to Airlines to direct these portals/apps to not publish such incorrect information and create an avoidable panic situation amongst the public. The Committee also recommends setting up of a grievance redressal mechanism to deal with such complaints.

(Para 60)

Global Practices, IATA Resolution and Reservation Booking Designators (RBDs)

Analysis of Global Practice for Ticket Pricing

The Committee observes that the IATA Rules are only a suggested framework to harmonize industry practices in the air-transport sector. While IATA is not a governmental organization and has therefore, no competence for legislation, their RPs are internationally recognized references and generally have a non-binding character. Airlines across the world have adopted these RPs and also modified them to suit their own commercial practices.

(Para 71)

The Committee further notes that globally, ticket pricing is a well-developed, evolving process, controlled by algorithms. Presently, ticket pricing is based on airline experience and set parameters, and airlines legitimately seek to maximize profits made through ticket sales. Airline price algorithms are not made public and are a closely guarded secret.

(Para 72)

It is evident that as per the international practices, though IATA Recommended Practices (RPs) are non-binding, yet these are acknowledged by the various international airlines as a guiding factor. However, each airline modifies it to suit their own commercial practices, subject to National laws which get priority over the IATA RPs. The Committee, therefore, recommends that the Ministry may ensure the proper implementation of the existing Rule 135 of the Aircraft Rules, 1937 which is the National Law in India for fixing of reasonable airfares by the airlines, for the benefit of the passengers.

(Para 73)

Components and Drivers of Airfare

The Committee notes the various components of airfares being charged to passengers and observes that the components of airfares are the same across various airlines. The Committee would like to be apprised of the percentage of various components of airfares which are retained by the airlines themselves.

(Para 77)

Effect of Seasonality/Holidays on Airfares

The Committee, during its deliberations, highlighted the concerns expressed by passengers at the surge of airfares during festive seasons, summer vacations, when a large number of people travel across the Country for religious/ leisure purposes or other reasons and thus promoting domestic tourism and boosting the economy. The Committee notes that affordable air transport is a must for the growth of tourism in India, which is presently reviving after facing a steep decline due to Covid pandemic. The Committee recommends that the Ministry may devise suitable monitoring mechanism to keep a check on the sudden surge in prices during the festive season or holidays or natural calamities, as it has a negative impact on tourism.

(Para 80)

Impact of Airport Tariff on Airfares

The Committee observes that there is a lot of variation in User Development Fees (UDF), for domestic passengers, ranging from Nil to Rs. 480 and for International passengers, from Rs. 52.56 to Rs. 1200. The Committee desires to know the reasons for the wide variation in UDF rates both for domestic and international passengers which is one of the components of airfares, leading to rise in airfares.

(Para 84)

The Committee notes that fees mandated by the AERA being charged to the Airlines and Passengers, are determined based on the Regulatory principles laid down by the Airport Economic Regulatory Authority (AERA) and airports are bound to charge only those fees and charges that are determined and published by the AERA. It is, therefore, evident that the AERA exercises control of various components of airfares charged to airlines or passengers. The Committee observes that the AERA, being the statutory regulator for the airports sector should endeavour to strike a balance between the interests of the airlines and the passengers. The Committee is of the opinion that the AERA in consultation with the various stakeholders may look into the feasibility of reducing the various components of airfare, which may result in decrease in airfares.

(Para 85)

The Committee notes wide variation in terms of varied fees being charged by the airport operators. For instance, the Fuel Infrastructure Charges are being levied by only four airports out of the aforementioned 12 airports, with the price range between Rs. 670/KL to Rs. 1,830/KL. The Committee also observes a considerable variation in the Parking Charges being levied by different operators wherein the minimum charge is a meagre Rs. 3/MT per hour, whereas the maximum being Rs. 98.60/MT per hour. Similarly, there is a major difference in the Landing Charges being levied for aircrafts wherein one airport charges Rs. 113/MT and the maximum charge for landing an aircraft at one of the airports is Rs. 1,450/MT. The Committee desires to know the reasons for the wide variations.

(Para 88)

The Committee also notes that as regards the other charges *viz.,* X-ray Screening, PSF, FEGP, CUTE/CUSS/BRS etc., are being levied at only certain airports at varied rates. The

Committee is also aware that all such charges levied by airport operators are governed by the orders issued by the Airports Economic Regulatory Authority (AERA). The Committee recommends that as far as possible, there should be broader uniformity in terms of various fees being charged across all the airports in the Country. The Committee recommends the Ministry to look into the matter and issue necessary guidelines to all the airport operators to rationalise the fee/charges at different airports.

(Para 89)

Low-Cost Carriers vs. Full-Service Carriers

The Committee notes that the reason for the higher fares charged by low-cost airlines on the same routes *vis-à-vis* their full-service counterparts despite offering fewer services to the passengers is mainly due to the fact that airfares are fixed according to market dynamics. The difference primarily lies in services and deliverables offered *i.e.,* free meals on board, different cabins, seat comfort, loyalty benefits, etc. The Committee notes that there is no fixed criterion for fixing airfares for Low-Cost Carriers as compared to the Full-Service Carriers and the airfares are determined on the basis of market forces and airlines do not have any control over them. The expression 'market dynamics' being vast and uncertain, the Committee recommends that the Ministry should monitor such instances of high fares of LCCs and take remedial action.

(Para 99)

Dynamic Pricing and Global Standards

The Committee notes that depending on the market demands, a significant portion of the seats in a particular flight is sold even below the average cost per seat to be able to attract customers who may have low affordability. It also notes that dynamic fare pricing models are derived from the Standard Revenue Management System and practised globally. These models are based on forecasting and optimization tools. It also observes that there are many Revenue Management Systems available in the market and the airlines may choose any of these or may develop its own methods to forecast and allocate inventory.

(Para 104)

The Committee further notes that no fixed model or formula is being followed by the airlines for airfare fixation. However, a vacant seat being a perishable inventory, airlines may offer seats at discounted rates, if the ticket is purchased sufficiently in advance. Thus, it benefits the passengers who have lower affordability.

(Para 105)

The Committee is of the opinion that in absence of a credible formula for the pricing of airfares, there remains a wide variation in the pricing of seats. Though sometimes, it may benefit the customers, however, at times, it may lead to very high fares. The Committee, therefore, recommends that feasibility of devising a formula may be examined to regulate excessive surge in fares as per the extant rules.

(Para 106)

Differential Pricing

The Committee notes that the reason for variation in prices of seats on the same flight is due to the system of 'unbundling', which is a global practice whereby the airlines charge the lowest possible fare for the basic product and charges for various other amenities as per the choice of the passenger. The Committee, however, feels that the issue needs a relook as variable costs for the seats in the same flight, goes against the very principle of equity.

(Para 110)

Challenges in the Rationalisation of Airfares

The Committee notes various challenges being faced for rationalisation of airfares as aviation sector is a capital intensive business and faces unforeseen challenges such as continuous unsustainable operating losses. It notes that most of the challenges are beyond the control of the airlines. However, the issue of the steep increase in ATF prices as compared to global prices and GST levied by the Government depends on factors which are under the ambit of the Central Government. The Committee recommends that immediate steps may be taken to lower the taxes levied on ATF in consultation with Ministry of Finance.

(Para 113)

Aviation Turbine Fuel (ATF) and Taxes on ATF

The Committee notes the increase in expenditure on ATF from 2016-17 onwards, with the exception of years 2020-21 and 2021-22, when the demand for ATF decreased due to pandemic induced slowdown in aviation sector. In the year 2022-23, it has sharply increased again, surpassing the expenditure on ATF during the previous years. The Committee opines that lowered rates of VAT on ATF may result in reduced price of air tickets and enhanced air connectivity. Also, the resultant increase in revenue from sale of aviation fuel may aid in the growth of tourism, better employment opportunities in the States/UTs.

(Para 117)

The Committee further notes that the pricing of 'Aviation Turbine Fuel' is primarily influenced by the international product prices, depreciating value of Rupee and other market conditions. The Committee also observes the high ATF prices prevailing in the country, is further aggravated by high taxes such as customs duty, excise duty, sale/State tax, Value Added Tax (VAT) levied thereon.

(Para 118)

The Committee has been given to understand that the cost of ATF nearly accounts for approximately 40% of the total operating cost of airlines and impacts the financial viability of their operations and affects their competitiveness because Indian carriers are unable to compete against their global counterparts on account of the exorbitantly higher prices of ATF. The Committee recommends that all-out efforts should be made to lower the taxes being levied on the ATF. Rationalization of VAT rates will be very crucial in reducing the

operating cost which will further improve the economic and operational viability of the airlines.

(Para 119)

The Committee also commends the Ministry for adopting initiatives such as MOPAG mechanism of pricing to rationalise prices and bring in more parity between prices of global crude oil and ATF in India. The Committee opines that it will decrease the cost of ATF and hence, decrease airfares in the country. The Committee also desires to know the details of ATF prices being charged in other countries across the world and the countries with low ATF prices.

(Para 120)

The Committee notes the wide variation of ATF prices across the various States of the country, which has led to airlines fuelling their aircrafts from States with low taxes, which reduces the passenger load and also results in increase in airfares. The Committee, therefore, recommends that the possibility of enacting a law to ensure uniform rate of taxes on ATF across the country, may be examined.

(Para 121)

Pratt & Whitney Engines

The Committee notes that aircrafts with an Indian airline operator having Pratt and Whitney engines were grounded due to lack of spare parts leading to incurring of losses. The Committee would like to know whether there are any provisions to seek damages from the said engine manufacturer, and if so, the details of action taken by the airlines as well as the Ministry in this regard to avoid the recurrence of such a problem in future.

(Para 125)

Action taken by the Government for Affordable Air Travel

The Committee commends the steps taken by the Government to rationalise the airfares. The Committee recommends that monitoring at the ground level may be carried out to ensure the proper implementation of all the initiatives taken by the Government. The Committee desires to know the status of Ministry's efforts to bring ATF under the ambit of GST and reduction in excise duty on ATF.

(Para 127)

The Committee also commends that the Civil Aviation Advisory Group has advised the airlines to bring in sensitivity while framing their RBDs and deploy additional aircrafts to meet the increased demand of the passengers. The Committee desires to know the details of the steps taken by the Ministry and the airlines, in this regard.

(Para 128)

Role of Airport Economic Regulatory Authority (AERA)

The Committee notes the contradictory replies received from the Ministry and the APAO. While the AERA claims that extensive consultation is being done with stakeholders for tariff determination, the APAO have stated that airport operators have limited opportunity

to be heard by the AERA during the consultation process. The Committee is of the opinion that the consultation process of the AERA should be fully transparent and all the concerns of the stakeholders should be heard and after due examination, their suggestions should be effected in the tariff determination process.

(Para 135)

The Committee also notes the long drawn out process for approaching TDSAT or the Supreme Court for appeal against orders of the AERA. The Committee recommends that a mechanism may be devised by the Ministry in consultation with all the airport operators/ stakeholders to hear the genuine concerns/ suggestions of the airport operators in the first instance itself, so that the need for appealing against the orders of the AERA in TDSAT or Supreme Court can be avoided.

(Para 136)

The Committee takes note of the observation of the APAO that though the AERA Act has provisions regarding the need to formulate regulations, yet the regulations are yet to be formulated. The Committee notes the delay in formulation of regulations by the AERA and desires to know the reasons thereof. The Committee recommends that the regulations may be formulated at the earliest. The details of the measures that are sought to be introduced through the said regulation to regulate airports may also be explained.

(Para 138)

Price Lock Option

The Committee notes the replies furnished by the Ministry and various airlines on the price lock option. The Committee also notes that airlines across the world are offering lock-in option and even in India, airlines such as Air India is already working towards building the necessary infrastructure to implement fare lock as an option for customers. The Committee desires to know the details about the 'free look-in' option exercised by the airlines as per the DGCA mandate.

(Para 145)

Further, the Committee opines that exploring the feasibility of implementing the option of 'price lock' would be a favourable step for customers, which, in turn, can spike the demand for air travel. The feature would help the customers make better travel decisions by allowing them to book tickets by reserving seats without paying for the actual price of the ticket upfront. Keeping in mind the high fee charged for cancelling or rescheduling a flight and built-in uncertainties in the market driven dynamic nature of fare, the Committee opines that the option of 'price lock' would provide the customers some time to confirm the ticket depending on finalisation of their travel plans, besides protecting them against any fare hike. The Committee, therefore, recommends that the Ministry should devise a mechanism to encourage all the airlines to implement the 'price lock' option wherein customers can reserve their booking with or without paying a nominal fee.

(Para 146)

Capping of Airfares – Upper and Lower

The Committee notes that the Ministry introduced price caps as a temporary measure during COVID pandemic and these caps were removed *w.e.f.* 31st August, 2022, after reviewing the situation. The implementation of price caps indicates that the Ministry/ DGCA is empowered to keep a check on the airfares, if deemed necessary. The Committee also analysed the replies received from various airlines and notes that all the airlines have opined against implementing upper and lower fare caps. They have added that most airlines prefer to function, without any restrictions, in an open market condition. The Committee also notes that due to the absence of any capping on airfares, the prices of tickets increase manifolds, especially during the holidays and festival season, so much so that at times the domestic sector fares are more than the fares on the international routes.

(Para 152)

The Committee is of the view that certain factors, including the capacity constraints, demand-supply situation and fuel prices, should be taken into consideration for determining prices. The Committee also understands that it is necessary to give an open opportunity to the airlines to operate in the market; however, interests of common man should also be considered. The Committee, therefore, recommends that to promote the accessibility of air transport to the common man, the Ministry should introduce reasonable upper fare caps on all the airlines, taking into account all relevant factors including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff as envisaged in Rule 135 (1) of the Aircraft Rules, 1937. The Committee feels that it is essential to maintain a pricing discipline to protect the interests of both the airline operators and the commuting public.

(Para 153)

Display of Seat-wise Fares on website

The Committee notes the comments furnished by the Ministry and the private airlines as regards displaying of seat-wise fares on the airline website. The Committee desires to know whether any study has been carried out to examine the feasibility of displaying of airfare of each of the seats offered to the customers at the time of booking. The Committee is of the opinion that the display of seat-wise fares will provide utmost transparency to the customers, making the airfare system being followed, more credible and trust-worthy.

(Para 161)

The Committee, therefore, recommends that the Ministry of Civil Aviation may explore the possibility of implementing the practice of displaying details of the available number of seats in various categories in an aircraft, alongwith the prices, as is being displayed by Indian Railway Catering and Tourism Corporation (IRCTC) on their website for railway bookings. By doing so, the airlines can also take into account the dynamic pricing mechanism as prescribed by their respective Revenue Management System, while establishing reasonable fares. The price of tickets on a certain flight may increase closer to the departure date as in the case of railway seats.

(Para 162)

Passenger Grievance Redressal

The Committee notes and appreciates the steps being taken by the Ministry to address and resolve passenger grievances. The Committee would like to be apprised whether the existing Civil Aviation Requirements (CARs) include a separate clause of redressal of complaints arising due to exorbitant airfares. If not, the Ministry may examine the feasibility of incorporating such a provision.

(Para 168)

The Committee feels that to protect passengers against unreasonably high airfares, there is a need to ensure that a proper and effective mechanism is in place to redress their grievances in a time-bound manner. The Committee recommends that the Ministry should strengthen the mechanism to monitor the instances of non-compliance of applicable CARs.

(Para 169)

The Committee also feels that there is a need to popularise the existence of grievance redressal mechanism such as CPGRAMS or AirSewa Portal as most of the passengers are not aware of it. The Committee recommends that these portals should be advertised through social media and other available modes.

(Para 170)

The Committee also opines that airlines need to create awareness and educate the passengers who do not travel frequently, about the working of the airline system in general *viz.,* ticketing procedure, fares, luggage handling and other issues which may emerge during travelling. The Committee recommends that the Ministry may direct the airlines to create awareness and educate passengers about the varied aspects of the travelling procedures.

(Para 171)

Regional Connectivity Scheme (Ude Desh ka Aam Nagrik)

The Committee notes that there is a capping as regards the number of seats on RCS flights, which stands at 40 at present. Besides, the initial capped airfare of Rs. 2,500/- has also increased. The Committee recommends that the Ministry may look into the possibility of increasing the number of RCS seats and also lowering the capped airfare, so as to cater to the increasing demand for air travel in Tier 2 and Tier 3 cities, as the cardinal objective of this Scheme is to connect the unserved and under-served airports and make it affordable for the common man. The Committee would like to know the details of the present capping amount for RCS flights, for different duration of flights. The Committee also recommends that the Ministry should publish such airfare caps applicable for RCS, for ensuring transparency of fares.

(Para 175)

The Committee observes that only GoFirst, Indigo and SpiceJet have participated in RCS-UDAN Scheme, till date. However, post the recent bankruptcy of GoFirst, only two airlines *viz.,* Indigo and SpiceJet will remain in RCS. The Committee also notes that Air India Express Connect is planning to participate in the RCS Scheme. The Committee would like

to know the reasons as to why the other major airlines are not participating or plan to participate in future. The Committee recommends that the Ministry should rollout new bids for the Scheme in future, after due consideration of the suggestions of the stakeholders and ensure maximum participation from airlines to ensure improved air connectivity in the country. The Committee also recommends that for the future success of the Scheme, the difficulties being faced by certain airlines under RCS and their suggestions thereof, may be looked into.

(Para 177)

The Committee also notes the concessions being extended by the airport operators to the airlines operating under the RCS-UDAN Scheme. The Committee appreciates the steps being taken for reducing the cost of operations by not levying Landing and Parking Charges on RCS flights and desires to know the quantum of concession that has been provided to the airlines in this regard, since the inception of the Scheme, year-wise.

(Para 179)

Access to Reserved Lounges at Airports

The Committee recommends the Ministry to issue guidelines, directing all the airport operators to ensure that only the entitled Dignitaries/ Government Officials can access the reserved lounges at airports. The Committee further recommends that the said guidelines should also include the provision of comfortable seating; quieter environment; and better access to customer service representatives at these reserved lounges for entitled persons.

(Para 182)

Bankruptcy of GoFirst

The Committee notes the replies provided by the Ministry and airlines in respect of bankruptcy of GoFirst and notes that the situation has resulted in the surge in airfares on certain routes, leading to increase in monopolistic practices. As per the recent Media Reports, the prices of tickets on sectors being earlier operated by GoFirst *viz.,* Delhi-Leh, Delhi-Srinagar, Delhi-Bagdogra and others have increased exorbitantly in a mere span of two months.

(Para 188)

189. The Committee is also aware that due to the suspension of operations of GoFirst, their lessor would now want to recover aircrafts from the operator. Due to this, the Committee opines that this may lead to lowered world ranking of India, on leasing aircraft index, by the world rating agencies. This may subsequently lead to increased cost of lease rentals impacting the air tariff adversely.

(Para 189)

190. The Committee notes that even Directorate General of Civil Aviation was not made aware by GoFirst about its plan to suspend services, which amounts to a violation of applicable rules. The Committee, therefore, recommends that the Ministry of Civil Aviation and DGCA should intervene, take cognizance of this grave situation and issue necessary guidelines to the other airlines to keep a tab on the affected operations and

airfares. The Committee also recommends that the Ministry should look into the possibility of developing a contingency plans to deal with such situations, arising due to the sudden exit of any airline in the future.

(Para 190)

Grant of 'Point of Call' Status to Airports

The Committee feels that the decision of the Ministry to not grant 'Point of Call' status to international airports is preventing the international airlines to operate in the country, leading to a situation of monopolistic/oligopolistic market by the domestic airline operators wherein they are charging high airfares. The Committee opines that a broad parity should be maintained between the international and domestic carriers for aviation operations in the country.

(Para 191)

The Committee, therefore, recommends that the Ministry should identify a balanced approach to liberalize the guidelines for granting of 'Point of Call' status to the airports to enhance air connectivity. The Committee is of the view that better connectivity to international airports in the country will provide more options to passengers, to choose from and aid in rationalising airfares.

(Para 192)

Improper Behaviour of Airline Staff and other Passenger Grievances

On many occasions, the Committee has deliberated upon and taken cognisance of the instances of unruly behaviour of airline staff and manhandling of passengers. The Committee takes note of such cases as highlighted in the recent Media Reports. The Committee is also aware that the airline buses used to ferry passengers from the airport terminal to the aircraft and *vice-versa*, are often crowded due to lack of sufficient bus services provided by the airlines. The Committee is of the view that concrete steps should be taken to address such issues. The Committee, therefore, recommends the Ministry/DGCA to take note and examine such complaints and take corrective actions against the concerned airline.

(Para 193)

***

ANNEXURES

<u>Annexure-I</u>

Air Transport Circulars issued by DGCA regarding Display of Airfares

- <u>Air Transport Circular 05 of 2009</u> was issued for scheduled domestic airlines to display the airfare as per the template given in the circular, compliant to Rule 135 of the Aircraft Rules, 1937. For both domestic and international markets, carriers must provide disclosure of the full price to be paid, including government taxes/fees carrier charges, as well as fees payable to airport operators in their advertising, on their websites and on the passenger's e-ticket confirmation.
- To ensure transparency and aid the traveler to make an informed choice, DGCA *vide* <u>Air Transport circular 02 of 2010</u> has directed the airlines to upload fare sheet displaying fare offered across their network. The fare sheet contains information on various levels of fares starting from the lowest (discounted fares) to full fare offered on all sectors. This is done on a monthly basis and updated whenever there is any revision of fares. DGCA also ensures the fare sheet is updated and tracks any deviation between fares offered and uploaded on the website on a regular basis.
- <u>Air Transport Circular 03 of 2013</u> requires carriers to disclose all fees for optional services on 'opt-in' basis through a prominent link on their homepage.

Annexure-II

The replies of various private airlines to the queries of the Committee as regards mechanism being followed for fixing Airfares

Air Asia informed that Airfares are determined taking into consideration several factors, including:

1. Cost of operating the aircraft - operational expense and fixed expenses
2. Generally prevailing tariff offered by competition
3. Demand-supply situation for the departure date

The revenue management system everyday forecasts the demand for each flight based on historical trends and booking velocity for the future departure dates. Based on the forecasting model output, seat inventory is allocated to different fare levels and accordingly the fare offered at any point in time is determined by the number of seats in the lower fare buckets that have been already sold out. There is a dedicated Revenue Management team which is responsible for monitoring the output of the revenue management system and can give inputs to the system or override the system if it feels that the revenue management system is not able to accurately capture the realities of the market.

The representatives of the airlines also informed that airfares are fixed taking into account the three aspects, *i.e.* Operational Expenditure, Fixed Expenditure, and the Return on Investment. The Air Asia representative informed

1. Cost of Operations –
   a. Input costs including Fixed expenses and Operational expenses help airlines arrive at a break even fare and break even load factor
   b. Cost of operations also varies monthly. In particular, the cost of fuel (accounting for 40-50% of the total operating cost) is determined only in the departure month, whereas tickets are offered for sale much in advance.

2. Demand Supply Dynamics –
   a. Based on demand - supply dynamics on any route, airlines benchmark their fares with fares offered by competition
   b. If fares offered by an airline are much higher than competition, then passengers will naturally choose competitor airlines.
   c. Hence at different points of time, the airfare may be lower than cost per seat or be higher than the cost per seat based.

3. Advanced Booking:
   a. Passengers can buy tickets for any departure date typically 9-12 months in advance of the departure.

b. During these 9-12 months when tickets are available for sale, the fare varies based on – a) fares offered by competitors, b) seasonality and c) total demand and supply of seats on that route for that departure date.

4. Perishable Inventory - Since seats on a flight are perishable inventory, if the prices are high, then airlines will lose the demand and lose potential revenue from seats flown vacant. All these considerations are taken into account when fixing airfares.

Air India representatives stated that Airlines globally work on a cost recovery model rather than on a set target to achieve 'reasonable profit'. The airline pricing is highly elastic. Pricing of air tickets by Air India is pegged against key competitors on the given route, keeping in view relative product strengths. Reasonable market fares have been formulated by Air India taking into consonance the underlying factors:

- o Fares offered by competitors in a highly dynamic market.
- o Product offerings,
- o Seasonality (as per practice adopted by all airlines worldwide),
- o Flight frequency, timings, direct / indirect operations, Product, Competitors' activities, Traffic Flows.
- o Market demand

Airfare is determined based on the above factors by Pricing Section under Revenue Management, Department for Air India.

Indigo informed that Indigo, like most airlines across the world, follows the practice of 'revenue management' which involves varying prices according to changes in demand and available capacity. The reasonableness of tariff is a function of demand and supply, variations in demand by season, during the day of the week, time of day, directionality, number of days before the flight, etc.

It is relevant to mention that the India is a high cost and volatile environment for airline operational costs. A very large proportion of airline costs in India are denominated in dollars and airlines are severely impacted by the continuing devaluation of the Rupee vs. the USD. Further, ATF prices in India are amongst the highest in the world and are also US Dollar denominated. Despite these challenges, India remains one of the most reasonable markets globally for air travel, as compared to most countries.

SpiceJet informed that there are multiple factors that drives the fare pricing mechanism in an airline list includes but is not limited to the inventory available, timing of flight and duration, type of aircraft deployed, seasonality etc. coupled with the business philosophy that an airline might choose to adhere to. Considering all of these factors into picture in tandem with the market demand the relevant team ascertains the final figure of Cost Available Seat Kilometre (CASK). Different components within the total airfare are Base Fare, ASF, PSF, Travel fees/ Convenience fee. In addition to this the airline also charges RCS fee, TRF (Cute Fee), UDF/ DF and GST as may be applicable on particular sectors.

Vistara informed that Pricing is done to attach a value to a seat to be used by a passenger. Market demand, customer segmentation, product & services offered, frequency, seasonality, competition, cost of operations, distance, state of the economy along with the Revenue Management system forecasts are some of the factors being considered. By taking into consideration all the government mandates, usually the Revenue Management team (Pricing, Demand & Inventory) decides the fare to be offered. Along with cost aspects as mentioned, market demand, customer segmentation, product & services offered, frequency, seasonality, competition, distance, state of the economy and revenue Management system forecasts etc are the primary factors being considered.

Base Fare, YQ/YR, Q surcharge, Taxes, charges, and surcharges levied by the airport operators and the government entities. The components like the Base Fare, YQ/YR, Q may change based on the demand and supply along with inflation, operating conditions, and cost parameters. The total fare may change due to changes in the applicable taxes, charges, and surcharges by the airport operators and government/regulatory entities.

Information on the Capital Investment; Working Capital; Revenue Expenditure; Fixed Cost; Operating Expenditure; Net Income; and Profit/Loss, received from Airlines

Air India Limited

				(Rs. in Crores)
S. No.	**Particulars**	**2020-21**	**2021-22**	**2022-23**
1.	Capital Investment	68,893	46,478	58,474
2.	Working Capital	(26,600)	(2,118)	3,147
3.	Revenue Expenditure	19,083	26,347	37,112
4.	Capital Expenditure	92	13,402	4,695
5.	Fixed Cost	8,517	8,984	7,704
6.	Operating Expenditure	15,247	22,475	36,003
7.	Net Income	(7,084)	(9,592)	(11,381)
8.	Profit/ Loss	(6,979)	(6,828)	(4,778)

Air India Express (AIX) Connect Private Limited (Air Asia)

				(Rs. in Crores)
S. No.	**Particulars**	**2020-21**	**2021-22**	**2022-23**
1.	Capital Investment	21	19	27
2.	Working Capital	-2109	-2642	-4220
3.	Revenue Expenditure	1759	2656	5244
4.	Capital Expenditure	21	19	27
5.	Fixed Cost	1256	1436	1867
6.	Operating Expenditure	3015	4092	7112
7.	Net Income	1483	1914	4361
8.	Profit/ Loss	-1531	-2179	-2748

Indigo

				(Rs. in Millions)
S. No.	**Particulars**	**2020-21**	**2021-22**	**2022-23**
1.	Capital Investment	4,369	3,469	5,698
2.	Working Capital	18,902	(21,883)	22,976
3.	Total Expenses	2,14,957	3,28,102	5,61,858
4.	Profit/ (Loss) Before Tax	(58,181)	(61,537)	(3,044)

SpiceJet

				Amount (in Millions)
S. No.	**Particulars**	**2020-21**	**2021-22**	**2022-23****
1	Capital Investment	0.61	21.07	--
2	Working Capital	(51,858)	(64,087)	--
3	Revenue Expenditure	51,828	72,222	--
4	Capital Expenditure*	611	364	--
5	Fixed Cost#	18,062	18,817	--
6	Operating Expenditure	39,810	57,944	--
7	Net Income/EBITDA	11,078	602	--
8	Profit/ Loss	(9,983)	(16,480)	--

Note: Being a pubic listed entity the figures for the FY 2022-23 has still not been published. We shall be able to share the same once the results for the previous FY has been declared as per the applicable laws.

Vistara

				Amount (in Crores)
S. No.	**Particulars**	**2020-21**	**2021-22**	**2022-23**
1	Capital Investment	-1255	-987	-2458
2	Working Capital	-287	256	680
3	Revenue Expenditure	4312	7097	12753
4	Capital Expenditure	-1255	-987	-2458
5	Fixed Cost	2567	3015	3609
6	Operating Expenditure	4312	7097	12753
7	Net Income	-1612	-2031	-1393
8	Profit/ Loss	-1612	-2031	-1393

Annexure-III

The replies of various private airlines to the queries of the Committee as regards Publication of Information on Website

Air Asia informed the Committee that Air India Express (AIX) Connect neither publishes the information regarding the number of seats left on any flight on its website nor does it explicitly share such information with third-party travel agents. Further, AIX Connect updates fare information on its website, as well as submits the same to the DGCA at regular intervals. AIX Connect also continuously monitors the fares being published by travel agents on their portals to ensure that the airfare shown on the travel agency portal is not misleading in any way for the customers.

Air India stated that they do not indulge in such practices of publishing misleading information on their website. Further, Air India's (AI's) e-Commerce platform is directly integrated with Air India's reservations system (Passenger Service System) from where availability is picked up, hence, there is no room for any error/misleading information. They also added that the concerned teams responsible for distribution of inventory does periodic checks, although, as mentioned above the probability for occurrence of such error is almost negligible as this is system driven and automated.

GoFirst also stated that they do not indulge in such practices of publishing misleading information on their website. A Central Reservation System (CRS), serves as storage for flight-related information like schedules, fares and rules for each booking class, passenger name records (PNRs), e-tickets, etc. It is also involved in managing booking requests and ticket issuing.

Indigo stated that they only display its fares on its website and does not display number of seats left on the flight as part of the fare/booking display.

SpiceJet, in its written submission stated that as an airline, they never support practices of publishing misleading information on their website and believe that this runs by the market forces. They publish the entire fare structure on their website when a booking is being made.

Vistara informed the Committee that they do not publish the availability on their website. Further due to global distribution of limited inventory (last minute inventory), the confirmation of seat follows first come first basis policy, *i.e.* seat availability continues to reflect until the final ticket creation (System behaviour as they stored cache data). Any change in fares, are automatically getting reflected on all channels. On regular basis, system clears the cache after every single seat sold on our website. System is designed to update the fare on prevailing RBD at regular interval (after every seat sold). SOP/Rule is in place to ensure that our published fares follow the fare as submitted to DGCA.

Annexure-IV

The details of the components of airfare being charged to passengers and their breakup is as informed by various airlines is indicated below:-

1. Air Asia

S. No.	Fare Component	Beneficiary	Frequency of Payment
1.	Base Fare	Airline	-
2.	Common User Terminal Equipment Fee (CUTE Fee)	Retained by Airline but used to offset the cost of CUTE Service Provider	-
3.	User Development Fee (UDF)	Airport (Pass-through fare component)	Fortnightly
4.	Aviation Security Fee (ASF)	National Aviation Security Fee Trust (NASFT) (Pass-through fare component)	Fortnightly
5.	Passenger Service Fee (PSF)	Airport (Pass-through fare component)	Fortnightly
6.	GST (SGST + CGST)	Government of India (Pass-through fare component)	Monthly

(i) Base fare - This is decided by the airline and varies on a day to day basis based on competition pricing and overall demand supply dynamics of a particular route.
(ii) CUTE charges - These are based on the fees charged by the Airport operator for common user technology services (Ex. check-in counter terminals). These are revised from time to time by the airport operators. .
(iii) ASF, PSF and other airport charges are determined by DGCA / AERA or other competent authorities as applicable.
(iv) GST applicable is determined by the Government of India.

2. Air India

Name	Code	Agency	Brief Description
Passenger Service Fees	WO	Accrued to Airports	To cover facilitation at all AAI airports and Private airports
User Development Fees	IN/YM	Accrued to Airports	To fund passenger facilitation at select airports, levied by airports
Fuel Surcharge	YQ	Accrued to Airline	Airline fuel surcharge
Carrier Imposed Miscellaneous Fees	YR	Accrued to Airline	Collected against different costs such as CUTE, RCS Levy and other airline variable pax related

			3rd party payouts
Aviation Security Fee	P2	Accrued to Airports	Collection of airport security fee
GST	K3	Accrued to Government	Good and Services tax as applicable

For international journeys, in addition to above, taxes and charges applicable at international destinations will be applicable. The representative of Air India also added that Base Fare, Fuel Surcharge (YQ) and Carrier Imposed Misc Fee (YR) are retained by airlines. Apart from the above two levies viz. YQ and YR, all other taxes and charges are remitted to concerned authorities. GST is remitted on ticket sale by the 10^{th} of the following month. UDF/PSF etc are paid on flown coupons on a fortnightly basis.

3. Go First

GoFirst replied that different components within the total airfare charged are Base fare, Fuel Surcharge (YQ), Passenger Service Fee (PSF), User Development Fee (UDF), Cute Charges (PHF), RCS fees (RCS), Aviation Security Fee (ASF) and applicable GST. Components retained by Airline is Base fare and Fuel Surcharge (YQ). Further, components to be paid to other entities are PSF, ASF, UDF, Cute charges & RCS. All the above components are paid as per billing cycle.

4. Indigo

The representative of Indigo informed the Committee that the total airfare is essentially composed of the following elements:

- Airfare and airline-imposed surcharges that are retained by airlines.
- Pass-through components mandated by authorities (UDF, PSF, etc.), that are remitted to the agency/ entity on whose behalf these components are being collected by the airlines
- GST, which is remitted to the concerned authorities.

Further, frequency of payments is in line with the billing and credit cycle mandated by the agency concerned, and as prevailing, from time to time, typically ranging from fortnightly to monthly.

5. SpiceJet

SpiceJet deposed before the Committee that different components within the total airfare are Base Fare, Aviation Security Fee (ASF), Passenger Service Fee (PSF) and Travel Fee/ Conveyance Fee. In addition to this, the airlines also charges RCS Fees, TRF (Cute Fees), UDF/ DF and GST as may be applicable on a particular sector. Amid the above specified components within an airfare, the airline tends to retain the Base Fare, RCS, TRF (Cute Fees), Travel Fees (Conveyance Fees) and the component pertaining to the Airport Taxes & GST are paid to other entities as per the understanding with different billing agency.

6. Vistara

The representative of Vistara stated that Base Fare, Fuel Surcharge (YQ)/ Carrier Imposed Miscellaneous Fee (YR), Q surcharge, taxes, charges & surcharges levied by the airport operators and government entities. Base Fare, YQ/YR and Q surcharge. However, if a charge like RCS is levied on per departure and not as an applicable tax, airlines may file it as YQ/YR and remit it later to the government entities. Further, everything except the components retained by airlines are to be paid to other entities. The amount and the frequency depends upon the application of those taxes, charges and surcharges levied by the airport operators and the government entities.

Annexure-V

The details of User Development Fee charged by the private airlines operating in the country and the details of the fee charged at the airports currently operated (for the F.Y. 2022-2023) by APAO:-

Bengaluru International Airport Limited (BIAL): Vide Order No. 11/2021-22 dated 28th August 2021, AERA has determined User Development Fee (UDF) of Rs 350 per embarking domestic passenger and Rs 1200 per embarking international passenger as the applicable UDF for KIAB, for the financial year 2022- 23. This UDF will be charged uniformly by all airlines (private or government owned) operating out of KIAB.

Cochin International Airport Limited (CIAL):

UDF charged by CIAL as approved by AERA	FY 2022-23
Per Embarking International Passenger	Rs. 400
Per Embarking Domestic Passenger	Rs. 180

Delhi International Airport Limited (DIAL):

UDF charged by DIAL per departing passenger as approved by AERA	FY 2022-23
International Passengers	Rs. 52.56
Domestic Passengers	Rs. 52.56

GMR Hyderabad International Airport Limited (GHIAL):

UDF charged by GHIAL as approved by AERA	FY 2022-23
International Passengers	Rs. 700
Domestic Passengers	Rs. 480

Mumbai International Airport Limited (MIAL): Vide Order No. 64/2020-21 dated 27th February 2021, AERA has determined UDF of Rs NIL per embarking domestic passenger and Rs 179 per embarking international passenger as the applicable UDF for CSMIA, for the financial year 2022-23. This UDF will be charged uniformly by all airlines (private or government owned) operating out of CSMIA.

Annexure-VI

Various Charges being charged by APAO member airports

1. Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad

Landing Charges –

(Rate in INR per MT)

Flight	Weight of aircraft	1st February 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st March 2026
Domestic	Upto 100 MT	400	420	441
	Above 100 MT			
International	Upto 100 MT	600	630	662
	Above 100 MT	700	735	772

Parking Charges –

(Rate in INR per MT)

		Weight of aircraft	Domestic	International
1st February 2023 to 31st March 2024	Parking charges (First two hours after free parking period)	Upto 100 MT	18.22	18.55
		Above 100 MT		17.50
	Parking charges (beyond four hours)	Upto 100 MT	36.44	37.10
		Above 100 MT		35.00
1st April 2024 to 31st March 2025	Parking charges (First two hours after free parking period)	Upto 100 MT	19.13	19.48
		Above 100 MT		18.37
	Parking charges (beyond four hours)	Upto 100 MT	38.26	38.96
		Above 100 MT		36.74
1st April 2025 to 31st March 2026	Parking charges (First two hours after free parking period)	Upto 100 MT	20.09	20.45
		Above 100 MT		19.29
	Parking charges (beyond four hours)	Upto 100 MT	40.18	40.90
		Above 100 MT		38.58

User Development Fee (UDF) –

(Rate in INR per PAX)

1st February 2023 to 31st March 2024	Dom. embarking pax - Rs 250	Intl. embarking pax - Rs 550
1st April 2024 to 31st March 2025	Dom. embarking pax - Rs 450	Intl. embarking pax - Rs 880
1st April 2025 to 31st March 2026	Dom. embarking pax - Rs 600	Intl. embarking pax - Rs 1190

Fuel Infrastructure Charges –Applicable from 1st February 2023 to 31st March 2026

Fuel Infrastructure Cost (Incl. Aircraft Refueling)	Aircraft Defueling	Re-fueling of defueled product	
		Within 24 hrs	Beyond 24 hrs
Rs 1,600 per KL	Rs 280 per KL	Rs 330 per KL	Rs 380 per KL

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

2. Kempegowda International Airport, Bengaluru

Landing Charges –

	Weight of Aircraft	International Flight	Other than International Flight
Applicable rates from 1st April 2023 – 31st March 2024	Up to 100 MT	INR 660.00 per MT	INR 365.00 per MT
	Above 100 MT	INR 66,000 + INR 790.00 per MT in excess of 100 MT	INR 36,500 + INR 490.00 per MT in excess of 100 MT
Applicable rates from 1st April 2024 – 31st March 2025	Up to 100 MT	INR 685.00 per MT	INR 510.00 per MT
	Above 100 MT	INR 68,500 + INR 820.00 per MT in excess of 100 MT	INR 51,000 + INR 685.00 per MT in excess of 100 MT
Applicable rates from 1st April 2025 – 31st December 2025	Up to 100 MT	INR 715.00 per MT	INR 510.00 per MT
	Above 100 MT	INR 71,500 + INR 855.00 per MT in excess of 100 MT	INR 51,000 + INR 685.00 per MT in excess of 100 MT
Applicable rates from 1st January 2026 – 31st March 2026	Up to 100 MT	INR 500.00 per MT	INR 355.00 per MT
	Above 100 MT	INR 50,000 + INR 600.00 per MT in excess of 100 MT	INR 35,500 + INR 480.00 per MT in excess of 100 MT

Parking Charges for all Aircrafts (Domestic & International) –

	Weight of Aircraft	First 2 hrs after free parking period	Beyond 4 hrs
Applicable rates from 1st April 2023 – 31st March 2024	Up to 100 MT	INR 8.00 per hour per MT	INR 14.00 per hour per MT
	Above 100 MT	INR 800+ INR 11.00 per MT per hour in excess of 100 MT	INR 1400+ INR 18.00 per MT per hour in excess of100 MT
Applicable rates from 1st April 2024	Up to 100 MT	INR 12.00 per hour per MT	INR 20.00 per hour per MT

– 31st March 2025	Above 100 MT	INR 1200+ INR 15.00 per MT per hour in excess of 100 MT	INR 2000+ INR 25.00 per MT per hour in excess of 100 MT
Applicable rates from 1st April 2025 – 31st December 2025	Up to 100 MT	INR 17.00 per hour per MT	INR 28.00 per hour per MT
	Above 100 MT	INR 1700+ INR 21.00 per MT per hour in excess of 100 MT	INR 2800+ INR 35.00 per MT per hour in excess of 100 MT
Applicable rates from 1st January 2026 – 31st March 2026	Up to 100 MT	INR 12.00 per hour per MT	INR 20.00 per hour per MT
	Above 100 MT	INR 1200+ INR 15.00 per MT per hour in excess of 100 MT	INR 2000+ INR 25.00 per MT per hour in excess of 100 MT

User Development Fee (UDF) –

1stApril 2023 to 31stMarch 2024	Dom. embarking pax - Rs 450 per pax Intl. embarking pax - Rs 1,400 per pax
1stApril 2024 to 31stMarch 2025 & 1stApril 2025 to 31stDecember 2025	Dom. embarking pax - Rs 550 per pax Intl. embarking pax - Rs 1,500 per pax
1stJanuary 2026 to 31stMarch 2026	Dom. embarking pax - Rs 385 per pax Intl. embarking pax - Rs 1,050 per pax

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

3. Cochin International Airport, Kochi

Landing Charges –

(Rate in INR per MT)

Flight	Weight of aircraft	1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st December 2025	1st January 2026 to 31st March 2026
International	Upto 100 MT	605	650	705	580
	Above 100 MT	60500 + 815 per MT in excess of 100 MT	65000 + 870 per MT in excess of 100 MT	70500 + 950 per MT in excess of 100 MT	58000 + 770 per MT in excess of 100 MT
Other than International	Upto 100 MT	415	445	480	405
	Above 100 MT	41500 + 560 per MT in excess of 100 MT	44500 + 595 per MT in excess of 100 MT	48000 + 640 per MT in excess of 100 MT	40500 + 545 per MT in excess of 100 MT

Parking Charges –

		1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st December	1st January 2026 to 31st March

				2025	2026
Upto 100 MT	INR per hour per MT	8	9	10	9
Above 100 MT		800 +11 per MT in excess of 100 MT	900 + 12 per MT in excess of 100 MT	1000 + 13 per MT in excess of 100 MT	900 + 11 per MT in excess of 100 MT

Night Parking Charges –

		1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st December 2025	1st January 2026 to 31st March 2026
Upto 100 MT	INR per hour per MT	4.5	5	5.5	4.5
Above 100 MT		450 +5.5 per MT in excess of 100 MT	500 + 6 per MT in excess of 100 MT	550 + 6.5 per MT in excess of 100 MT	450 + 5.5 per MT in excess of 100 MT

Inline X ray screening Charges –

	Aircraft Capacity		1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st December 2025	1st January 2026 to 31st March 2026
International	1-100	USD	161	169	178	151
	101-150		194	204	214	182
	151-180		237	249	261	222
	181-300		269	282	297	252
	Above 300		323	339	356	303
Domestic	1-100	INR	5385	5650	5935	5045
	101-150		7535	7915	8310	7065
	151-180		9690	10175	10685	9080
	181-300		11845	12435	13060	11100
	Above 300		13995	14695	15435	13120

CUTE/CUSS/BRS Charges –

		1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st December 2025	1st January 2026 to 31st March 2026
Domestic	INR per dep pax	86	86	86	86
International (for tickets issued against INR tariff)	INR per dep pax	94	94	94	94
International (for tickets issued against	USD per dep pax	1.25	1.25	1.25	1.25

foreign currency tariff)					

User Development Fee (UDF) –

		1st April 2023 to 31st March 2024	**1st April 2024 to 31st March 2025**	**1st April 2025 to 31st December 2025**	**1st January 2026 to 31st March 2026**
Dom. embarking pax	INR	230	270	270	230
International embarking passenger for tickets issued against INR tariff		500	570	570	480
International embarking passenger for tickets issued against foreign currency tariff	USD	6.70	7.60	7.60	6.40

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

4. Indira Gandhi International Airport, Delhi

Landing Charges –

Rate per landing – International Flight	**Weight of the Aircraft**	**Rate Per Landing (In INR)**
	<= 21MT	Not Applicable
	<= 100 MT	INR 250.47 MT
	>= 100 MT	INR 25047 + INR 336.60/MT in excess of 100 MT
Rate per landing – Domestic Flight	<= 21MT	INR 113.30 MT
	<= 100 MT	INR 187.88 MT
	>= 100 MT	INR 18788 + INR 252.45/MT in excess of 100 MT

Housing Charges –

Weight of the Aircraft	**Housing Charges Rates Per Hour**
<= 100 MT	INR 8.14 MT
>= 100 MT	INR 814 + INR 10.78/MT in excess of 100 MT

X-Ray Baggage Charges –

Domestic Flights	**International Flights**
Registered Baggage	Registered Baggage For turnaround flights

<table>
<tr><td><= 25 seats: INR 110</td><td rowspan="5">USD 209.55 for all wide body aircrafts (Code D, Code E and Code F)

USD 149.33 for all narrow body turnaround flights (Code C) and all transit flights</td></tr>
<tr><td>26 – 50 seats: INR 220</td></tr>
<tr><td>51 – 100 seats: INR 495</td></tr>
<tr><td>101 – 200 seats: INR 770</td></tr>
<tr><td>>= 201 seats: INR 880</td></tr>
</table>

User Development Fee (UDF) –-

1st April 2023 to 31st March 2024	Per embarking pax. - Rs 51.97

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation

Rate Per embarking passenger	
Rs 77 for tickets issued against INR tariff	US $ 1.93 for tickets issued against foreign currency tariff

5. Goa International Airport, MoPA

Landing Charges for FY 23 –

<table>
<tr><th></th><th colspan="2">Time Interval</th><th>Weight of Aircraft (MTOW)</th><th>Amount (Rs/MT)</th></tr>
<tr><td rowspan="6">Domestic</td><td rowspan="2">Morning Hrs</td><td rowspan="2">0700-1259</td><td></= 100 MT</td><td>256</td></tr>
<tr><td>>100 MT</td><td>288</td></tr>
<tr><td rowspan="2">Evening Hrs</td><td rowspan="2">1300-2359</td><td></= 100 MT</td><td>197</td></tr>
<tr><td>>100 MT</td><td>222</td></tr>
<tr><td rowspan="2">Night Hrs</td><td rowspan="2">0000-0659</td><td></= 100 MT</td><td>98</td></tr>
<tr><td>>100 MT</td><td>109</td></tr>
<tr><td rowspan="4">International</td><td rowspan="2">Winter</td><td rowspan="2">1st Oct-30th Apr</td><td></= 100 MT</td><td>327</td></tr>
<tr><td>>100 MT</td><td>429</td></tr>
<tr><td rowspan="2">Summer</td><td rowspan="2">1st May- 30th Sep</td><td></= 100 MT</td><td>164</td></tr>
<tr><td>>100 MT</td><td>215</td></tr>
</table>

Parking Charges for FY 23 –

Weight of Aircraft (MTOW)	Charges (Rs/Hr/MT)
</= 100 MT	**12**
>100 MT	**15**

User Development Fee (UDF) for FY 23 –

<table>
<tr><th>Passenger</th><th>Time Interval</th><th>Amount (in Rs./Pax)</th></tr>
<tr><td>Domestic</td><td rowspan="2">Per Embarking pax</td><td>450</td></tr>
<tr><td>International</td><td>1100</td></tr>
</table>

Fixed Electricity Ground Power ("FEGP") Charges –Applicable from 24th April 2023 to 30th September 2023

Flight	Aircraft Code		Rate per hour in INR
Domestic	Code B & C		2,261.60
	Code D		2,713.92
	Code E		3,166.24
International	Code C	Single Cable	5,205.79
	Code D	Single Cable	5,205.79
	Code E	Double Cable	6,291.36

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

6. Rajiv Gandhi International Airport, Hyderabad

Landing Charges –

	Weight of Aircraft	International Flight	Domestic Flight
Applicable rates from 1st April 2023 – 31st March 2024	Up to 100 MT	INR 360.00 per MT	INR 305.00 per MT
	Above 100 MT	INR 36,000 + INR 480.00 per MT in excess of 100 MT	INR 30,500 + INR 410.00 per MT in excess of 100 MT
Applicable rates from 1st April 2024 – 31st March 2025	Up to 100 MT	INR 430.00 per MT	INR 365.00 per MT
	Above 100 MT	INR 43,000 + INR 575.00 per MT in excess of 100 MT	INR 36,500 + INR 490.00 per MT in excess of 100 MT
Applicable rates from 1st April 2025 – 31st December 2025	Up to 100 MT	INR 470.00 per MT	INR 440.00 per MT
	Above 100 MT	INR 47,000 + INR 635.00 per MT in excess of 100 MT	INR 44,000 + INR 590.00 per MT in excess of 100 MT
Applicable rates from 1st January 2026 – 31st March 2026	Up to 100 MT	INR 330.00 per MT	INR 310.00 per MT
	Above 100 MT	INR 33,000 + INR 445.00 per MT in excess of 100 MT	INR 31,000 + INR 415.00 per MT in excess of 100 MT

Parking Charges –

	Weight of Aircraft	First 2 hrs after free parking period
Applicable rates from 1st April 2023 – 31st March 2024	Up to 100 MT	INR 8.30 per hour per MT
	Above 100 MT	INR 830/- + INR 10.20 per hour in excess of 100 MT
Applicable rates from 1st April 2024 – 31st March 2025	Up to 100 MT	INR 10 per hour per MT
	Above 100 MT	INR 1000/- + INR 12.20 per hour in excess of 100 MT

Applicable rates from 1st April 2025 – 31st December 2025	Up to 100 MT	INR 14.10 per hour per MT
	Above 100 MT	INR 1410/- + INR 17.10 per hour in excess of 100 MT
Applicable rates from 1st January 2026 – 31st March 2026	Up to 100 MT	INR 9.90 per hour per MT
	Above 100 MT	INR 990/- + INR 12.00 per hour in excess of 100 MT

Parking hrs	0-02 hrs	02-04 hrs	Above 04 hrs
Rate	**Free**	**Normal parking rates as listed above**	**Double the normal parking rates**

User Development Fee (UDF) –

1st April 2023 to 31st March 2024	Dom. embarking pax - Rs 700 per pax Intl. embarking pax - Rs 1,360 per pax
1st April 2024 to 31st March 2025 & 1st April 2025 to 31st December 2025	Dom. embarking pax - Rs 750 per pax Intl. embarking pax - Rs 1,500 per pax
1st January 2026 to 31st March 2026	Dom. embarking pax - Rs 500 per pax Intl. embarking pax - Rs 1,000 per pax

ICT (CUTE/CUSS/BRS) Charges – Applicable rates from 1st April 2023 to 31st March 2026

Per Embarking Passenger	USD 1.25

Fuel Infrastructure Charges – Applicable rates from 1st April 2023 to 31st March 2026

Charges per KL of Fuel	Amount in Rs. /KL
Infrastructure Charges	Rs 1500/-

Fixed Electricity Ground Power ("FEGP") Charges – Applicable rates from 1st April 2023 to 31st March 2026

Time slot	1 plug (90 KV)	2 Plugs (180 KV)
First 30 minutes	Rs 500	Rs 875
Every additional 15 minutes	Additional Rs 250	Additional Rs 437.4

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

7. Lucknow International Airport

Landing Charges – Current Charges

Weight of the Aircraft	Domestic Aircraft	International Aircraft
Upto 25 MT	INR 294 per MT	INR 294 per MT
Above 25 MT upto 50	INR 7,350 + INR 392 per	INR 7,350 + INR 601 per MT in

MT	MT in excess of 25 MT	excess of 25 MT
Above 50 MT upto 100 MT	INR 17,150 + INR 454 per MT in excess of 50 MT	INR 22,375 + INR 699 per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 39,850 + INR 515 per MT in excess of 100 MT	INR 57,325 + INR 797 per MT in excess of 100 MT
Above 200 MT	INR 91,350 + INR 576 per MT in excess of 200 MT	INR 1,37,025 + INR 920 per MT in excess of 200 MT

Parking and Housing Charges –Current Charges

Weight of the Aircraft	Parking Charges Rates per Hour	Parking Charges Rates per Hour
Upto 25 MT	INR 3.3 per Hour per MT	INR 6.7 per Hour per MT
Above 25 MT upto 50 MT	INR 82.5 + INR 4.6 per Hour per MT in excess of 25 MT	INR 167.5 + INR 8.9 per Hour per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 197.5 + INR 8.9 per Hour per MT in excess of 50 MT	INR 390.0 + INR 18 per Hour per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 642.5 + INR 11.2 per Hour per MT in excess of 100 MT	INR 1,290 + INR 22.5 per Hour per MT in excess of 100 MT
Above 200 MT	INR 1,762.5 + INR 12.4 per Hour per MT in excess of 200 MT	INR 3,540 + INR 24.8 per Hour per MT in excess of 200 MT

No parking charges shall be levied for first two hours.

User Development Fee (UDF) – Current Charges

Current Charges	Dom. embarking pax - Rs 163	Intl. embarking pax - Rs 475

Fuel Infrastructure Charges – Current charges

Fuel Infrastructure Charges (Incl. Aircraft Refueling)	Aircraft defueling		Aircraft Re-fueling of defueled product	
	Within 6hrs	Beyond 6hrs	Within 6hrs	Beyond 6hrs
Rs 670 per KL	Rs 200 per KL	Rs 300 per KL	Rs 250 per KL	Rs 300 per KL

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

8. Thiruvananthapuram International Airport

Landing Charges – Till September 2023

Weight of the Aircraft	Domestic Aircraft	International Aircraft
Upto 25 MT	INR 191 per MT	INR 357 per MT
Above 25 MT upto 50	INR 4,769 + INR 334 per MT	INR 8,942 + INR 418 per MT in

MT	in excess of 25 MT	excess of 25 MT
Above 50 MT upto 100 MT	INR 13,116 + INR 382 per MT in excess of 50 MT	INR 19,376 + INR 477 per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 32,913 + INR 465 per MT in excess of 100 MT	INR 43,223 + INR 548 per MT in excess of 100 MT
Above 200 MT	INR 78,695 + INR 525 per MT in excess of 200 MT	INR 98,071 + INR 620 per MT in excess of 200 MT

Parking and Housing Charges –Till September 2023

Weight of the Aircraft	Parking Charges Rates per Hour	Parking Charges Rates per Hour
Upto 25 MT	INR 3 per Hour per MT	INR 6 per Hour per MT
Above 25 MT upto 50 MT	INR 75 + INR 4 per Hour per MT in excess of 25 MT	INR 150 + INR 8 per Hour per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 175 + INR 8 per Hour per MT in excess of 50 MT	INR 350.0 + INR 16 per Hour per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 575 + INR 10 per Hour per MT in excess of 100 MT	INR 1,150 + INR 20 per Hour per MT in excess of 100 MT
Above 200 MT	INR 1,575 + INR 11 per Hour per MT in excess of 200 MT	INR 3,150 + INR 22 per Hour per MT in excess of 200 MT

No parking charges shall be levied for first two hours.

User Development Fee (UDF) – Till September 2023

Till September 2023	Dom. embarking pax - Rs 506 (USD 12.69)	Intl. embarking pax - Rs 1,069 (USD 26.78)

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

9. Jaipur International Airport

Landing Charges – Till September 2023

Weight of the Aircraft	Domestic Aircraft	International Aircraft
Upto 25 MT	INR 187 per MT	INR 281 per MT
Above 25 MT upto 50 MT	INR 4,680 + INR 328 per MT in excess of 25 MT	INR 7,020 + INR 516 per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 12,870 + INR 374 per MT in excess of 50 MT	INR 20,176 + INR 609 per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 31,590 + INR 457 per MT in excess of 100 MT	INR 50,648 + INR 702 per MT in excess of 100 MT
Above 200 MT	INR 77,246 + INR 515 per MT in excess of 200 MT	INR 120,848 + INR 842 per MT in excess of 200 MT

Parking and Housing Charges – Till September 2023

Weight of the Aircraft	Parking Charges Rates per	Parking Charges Rates per Hour

	Hour	
Upto 25 MT	INR 3per Hour per MT	INR 6per Hour per MT
Above 25 MT upto 50 MT	INR 75 + INR 4per Hour per MT in excess of 25 MT	INR 150 + INR 8per Hour per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 175 + INR 8per Hour per MT in excess of 50 MT	INR 350.0 + INR 16per Hour per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 575 + INR 10per Hour per MT in excess of 100 MT	INR 1,150 + INR 20per Hour per MT in excess of 100 MT
Above 200 MT	INR 1,575 + INR 11per Hour per MT in excess of 200 MT	INR 3,150 + INR 22per Hour per MT in excess of 200 MT

No parking charges shall be levied for first two hours.

User Development Fee (UDF) – Till September 2023

Till September 2023	Dom. embarking pax - Rs 394 (USD 9.85)	Intl. embarking pax - Rs 1,237 (USD 30.93)

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation – NA

10. Guwahati International Airport

Landing Charges – Till September 2023

Weight of the Aircraft	Domestic Aircraft	International Aircraft
Upto 25 MT	INR 191 per MT	INR 263 per MT
Above 25 MT upto 50 MT	INR 4,770 + INR 310 per MT in excess of 25 MT	INR 6,575 + INR 393 per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 12,508 + INR 347 per MT in excess of 50 MT	INR 16,404 + INR 441 per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 29,839 + INR 429 per MT in excess of 100 MT	INR 38,452 + INR 548 per MT in excess of 100 MT
Above 200 MT	INR 72,769 + INR 489 per MT in excess of 200 MT	INR 93,254 + INR 584 per MT in excess of 200 MT

Parking and Housing Charges – Till September 2023

Weight of the Aircraft	Parking Charges Rates per Hour	Parking Charges Rates per Hour
Upto 25 MT	INR 3per Hour per MT	INR 6per Hour per MT
Above 25 MT upto 50 MT	INR 75 + INR 4per Hour per MT in excess of 25 MT	INR 150 + INR 8per Hour per MT in excess of 25 MT
Above 50 MT upto 100 MT	INR 175 + INR 8per Hour per MT in excess of 50 MT	INR 350.0 + INR 16per Hour per MT in excess of 50 MT
Above 100 MT upto 200 MT	INR 575 + INR 10per Hour per MT in excess of 100 MT	INR 1,150 + INR 20per Hour per MT in excess of 100 MT
Above 200 MT	INR 1,575 + INR 11per Hour per MT in excess of 200 MT	INR 3,150 + INR 22per Hour per MT in excess of 200 MT

No parking charges shall be levied for first two hours.

User Development Fee (UDF) – Till September 2023

Till September 2023	Dom. embarking pax - Rs 426	Intl. embarking pax - Rs 561

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation – NA

11. Mangaluru International Airport, Mangalore

Landing Charges –

(Rate in INR per MT)

Flight	Weight of aircraft	1st April 2023 to 31st March 2024	1st April 2024 to 31st March 2025	1st April 2025 to 31st March 2026
Domestic	Upto 100 MT	700	900	950
International		950	1,200	1,450

Parking Charges –

(Rate in INR per MT)

		Weight of aircraft	Domestic Flight	International Flight
1st April 2023 to 31st March 2024	Parking charges (First two hours after free parking period)	Upto 100 MT	28.00	8.00
	Parking charges (beyond four hours)		56.00	16.00
1st April 2024 to 31st March 2025	Parking charges (First two hours after free parking period)		49.30	28.00
	Parking charges (beyond four hours)		98.60	56.00
1st April 2025 to 31st March 2026	Parking charges (First two hours after free parking period)		49.30	89.60
	Parking charges (beyond four hours)		98.60	179.20

User Development Fee (UDF) –

1st April 2023 to 31st March 2024	Dom. embarking pax - Rs 560 Dom. disembarking pax - Rs 240	Intl. embarking pax - Rs 1,015 Intl. disembarking pax - Rs 435
1st April 2024 to 31st March 2025	Dom. embarking pax - Rs 700 Dom. disembarking pax - Rs 300	Intl. embarking pax - Rs 1,050 Intl. disembarking pax - Rs 450
1st April 2025 to 31st March 2026	Dom. embarking pax - Rs 735 Dom. disembarking pax - Rs 315	Intl. embarking pax - Rs 1,120 Intl. disembarking pax - Rs 480

Fuel Infrastructure Charges –Applicable rates from1st April 2023 to 31st March 2026

Fuel Infrastructure	Aircraft Defueling	Aircraft Re-fueling of defueled

Charges (Incl. Aircraft Refueling)		product	
		Within 24 hrs	Beyond 24 hrs
Rs 1,830 per KL	Rs 300 per KL	Rs 350 per KL	Rs 400 per KL

X-Ray screening Charges –
(Rate in INR)

	Type of flight	Applicable Charge (per departure flight)
1st February 2023 to 31st March 2024	Domestic flights with seats up to 100 Nos	Rs 5,000
	Domestic flights with seats more than 100 Nos	Rs 9,000
	International flight (all flights)	Rs 16,000
1st April 2024 to 31st March 2026	Domestic flights with seats up to 100 Nos	Rs 7,000
	Domestic flights with seats more than 100 Nos	Rs 12,000
	International flight (all flights)	Rs 16,000

Airport Development Fee (ADF/ DF) – NA

Passenger Service Fee (PSF) – Facilitation– NA

12. Chhatrapati Shivaji Maharaj International Airport, Mumbai

Landing Charges – Applicable Rate for 1stApril 2023 to 31st March 2024

	Particulars	Rate per Landing (Rs.)
Domestic Landing Charges	Upto 100 MT	Rs 655.94 per MT
	More than 100 MT	Rs 65594 + Rs 879.33 per MT

	Particulars	Rate per Landing (Rs.)
International Landing Charges	Minimum charges on GA aircrafts	37,160
	Code C	95,070
	Code D	1,04,580
	Code E	1,90,120
	Code F	3,04,210

Parking Charges – Applicable Rate for 1stApril 2023 to 31st March 2024

Remote Parking		
Weight of the Aircraft	**Parking Charges (Rate per MT per hour)**	
	For 2.5 - 3.5 hours	**>3.5 hours**
Upto 100 MT	Rs. 12.27 per MT	Rs. 18.41 per MT
Above 100 MT	Rs. 1227.17 + Rs. 16.25 per MT	Rs. 1840.75 + Rs. 24.37 per MT

In Contact Stand Parking		
Weight of the Aircraft	**Parking Charges (Rate per MT per hour)**	
	For 2.5 - 3.5 hours	**>3.5 hours**
Upto 100 MT	Rs. 12.27 per MT	Rs. 36.82 per MT
Above 100 MT	Rs. 1227.17 + Rs. 16.25 per MT	Rs. 3681.5 + Rs. 48.75 per MT

User Development Fee (UDF) –

Per departing intl. pax.	I" April 2023 to 31st March 2024 For tickets issued against INR tariff - Rs 187 For tickets issued against foreign currency tariff - US $ 2.70
No UDF for domestic passengers	

Airport Development Fee (ADF/ DF) – DF @ Rs 100/- per domestic embarking pax and @ Rs 600/- per international embarkingpax till June 30, 2023.

Passenger Service Fee (PSF) – Facilitation– NA

Annexure-VII

The replies of various private airlines to the queries of the Committee as regards Dynamic Pricing of Airfares

Air Asia stated that dynamic airfare is a globally accepted phenomenon where airfares tend to adjust in line with supply-demand balance. It has been proven by decades of existence of airlines that this dynamic pricing principle makes consumers better off than the fixed pricing. The dynamic fares allow airlines to offer different fares at different periods of booking horizon to different customer segment. It is based on forecasting demand from customer segments at different price levels and then allocating seat inventory accordingly at these different price levels to match the forecasted demand. Therefore the family travellers, students, senior citizens etc. who are more price sensitive and tend to book in advance get access to seat inventory allocated to low fares. As the low fare seat inventory gets exhausted, the fares offered move up in line with the demand of higher affordability customers. Therefore, the corporate travellers who have higher affordability and book last minute see higher fares than the price sensitive travellers booking in advance.

Air Asia added that a significant portion of the seat inventory is often sold even below the average cost per seat to be able to attract customers who may have low affordability. Every flight operated by an airline involves a high amount of fixed cost with a very small component of cost being variable with the number of passengers onboard. Therefore, a vacant seat is a perishable inventory and hence it makes sense for airlines to fill the seats even if such fares are lower than the average cost per seat. This shows that the dynamic pricing approach adopted by airlines works in the interest of consumers as many consumers with lower affordability are able to get access to seat inventory which would have otherwise gone unsold.
Therefore, if the demand for a particular departure date is low we may see that the inventory of the low fare buckets continues to remain available for a long booking horizon. On the other hand, for high demand departure dates the seat inventory in different fare buckets tends to get exhausted quickly and one may witness a rapid movement of fares.

Air India informed the Committee that they offer multiple Fare levels/ Bucket fares on its flight. Pricing for any flight changes based on demand, seasonality, and competition fare. Generally lower fare buckets are available when tickets are purchased in advance and the fares progressively increases closer to the departure date. The airline pricing is highly elastic and is driven by market conditions. Most airlines follow a similar concept of pricing based on demand, seasonality, competition, etc. Pricing for an airline depends on business model and respective optimisation strategies. All fares offered by Air India are transparent, published fares, multi-level with given validity and are not changed arbitrarily. Full list of all Air India Domestic fares are also sent to DGCA on a regular basis maintaining full transparency.

GoFirst also informed the Committee that as per the global practices, dynamic fare pricing model works on the methodology of seats available, demand and supply of the product, days gap between booking date and date of travel. Dynamic fare pricing are specific marked driven and globally accepted. An airline creates its own fare structure using limited number of price point based on the reservation booking designator (RBD) and they publish them. Airline passengers deserve to know the full, true cost of their flights before they buy a ticket. The airlines has 365 days open window booking policy to its customers where customers can access the fares in advance to decide.

Indigo stated that like most airlines across the world, they also follow the practice of 'revenue management' which involves varying prices according to changes in demand and available capacity. Revenue management takes into account demand & supply and also variations in demand – by season, during the day of the week, time of day, directionality, number of days before the flight, etc. An airline seat is perishable inventory, which means that once a flight has departed, the unsold seat inventory has no value. As regards transparency in airfares, they adhere to Air Transport Circular 02 of 2010 wherein airlines are required to display on their respective websites the tariff sheet route-wise across their network in various fare categories and the manner it is offered in the market. Airlines do not charge airfares outside the ranges declared by us.

SpiceJet added that the dynamic pricing model is based on the principles of revenue management parameters of which are universal to all airline like price elasticity to demand, perishable inventory, targeted customer base, market dynamics etc. As an airline, their fares are updated on their website and hence is clearly visible in public domain.

Vistara stated that the market demand and supply of seats, competition, Fixed and variable cost, Inflation, etc are followed in the dynamic fare pricing model. The logic for a dynamic pricing structure is same for both Domestic and International carriers. All the fares being charged for domestic operation are displayed in their website. In addition, the airlines also shares the list of the all the fares with DGCA on a daily basis.

Annexure-VIII

The replies of various private airlines to the queries of the Committee as regards Differential Pricing

Air Asia replied to the queries of the Committee and stated that the seat selection pricing is rooted in the product 'unbundling' philosophy of low-cost-carrier business model whereby the airlines is able to offer the basic product at the lowest possible fare and charge separately for various amenities only to those passengers who see a utility in such amenities. The differential pricing for seat selection is therefore based on the value ascribed by the passengers to different types of seats. Different seats in an aircraft offer different benefits to customers:

1. Seat Pitch – First row and Emergency row seats generally have a larger leg room
2. Boarding and De-boarding preference – First few rows on an aircraft offer a faster boarding and de-boarding experience to customers and hence preferred by customers who may be time sensitive.
3. Window / Aisle – Windows offer views outside an aircraft which are preferred by some customers and Aisle seats offer quick access to customers who may wish to stretch their legs or access washrooms.

In case a passenger does not want to pay for a preferred seat, then he or she gets assigned a seat based on availability for free.

Further, pricing for seats are decided based on the benefits offered by different types of seats to consumers. Just like the ticket fare if the seat-assignment pricing is too high the customers would not be willing to pay for it and anyways the airline would end up assigning such a seat for free. Therefore it is not in the interest of the airline to price the seat higher than the value ascribed by the customer for such a preferred seat. We monitor the take-up rate of such preferred seats on different routes and adjust pricing accordingly such that we are able to maximise the take-up rate of such paid seat selection.

As regards the reasons for not following the principle of equity in fixing prices for seats in the aircraft, Air Asia responded that Customers who do not want to pay for a seat need not pay and are assigned seats automatically. Also, if customers want to select a specific seat based on their preference, the seat price is declared in advance in a transparent manner.

Air India informed the Committee that as a global practice, the charges associated with a seat are primarily based on the seat type, the space that it offers and its position in the cabin and customer choice. For this purpose, pricing seats are primarily categorised as bulkhead, emergency exit, window, aisle and middle. The bulkhead and emergency seats are offered at a specific price as they have greater legroom and offer passengers more comfort, while all other seats are categorised as window and aisle. Further, pricing is generally based on type of seat, features such as space, comfort and position in cabin.

Air India's focus is to offer the customer the choice and let them select what best addresses their needs. Air India offers a seat to all passengers free of cost with random seat allocation through the system. Passenger is only asked to pay in case of selection of preferred seat different from the allocated seat. Even then for Air India, on an average over 45% - 55% of seats are offered to the customers free of charge which they are free to select based on availability. All available seats are free of charge, 4 hours prior to departure and at the airport. In addition to the above, Air India does not charge any fees for Bassinet seats (Passengers travelling with infants) and for seat selection in Business and First class.

GoFirst stated that the reason for having differential pricing for seat selection within the same flight is because of individual specific preference/ feasibility/ availability/ ease of access and convenience. They also have free auto assign of seats within 6 hrs prior departure flight. Airline may offer different types of seats at different price to cater different market. Further, they added that the reasons for not following the principle of equity in fixing prices for seats in the aircraft, are that a low-cost carrier (LCC) is an airline that minimizes ticket prices and offer different types of seats at different price to cater different market.

Indigo informed the Committee that differential seat pricing is a global practice. Seat selection pricing is an element of the practice of unbundling of fares that is followed by all airlines and is done to reduce the cost of travel for consumers who desire only the basic product, viz., air travel without any frills. Offering such airfares not only makes air travel more affordable, but also reduces the cost of air travel, thereby stimulating the demand for air travel – a factor that has contributed significantly to the high growth rate and continued prospects for air travel in India. Indigo fixes prices for seats in line with overall market dynamics, type of seat (e.g. extra leg-room), etc, and the price so fixed is unique to each airline in line with each airline's own cost base.

SpiceJet stated that differential seat pricing is a global norm in the aviation sector both for low cost and full service carriers which is based on the comfort that customer's associate with it and at same time willing to pay slightly higher in order to avail such comfort. Airline decides on the pricing of different seats on the basis of the benefits of such seats.

Vistara submitted that the reason for having differential pricing for seat selection within the same flight is to give the opportunity to all the passengers to select a seat of their choice in advance. This is decided based on the convenience, demand and supply and competition benchmarking. By charging with unbundling of seat, airlines are giving opportunity to the passengers to select a seat of their choice in advance. Further, Vistara has Business and Premium economy as free seat selection and on Economy cabin, they have only 60% chargeable seat.

Annexure-IX

Mechanism followed by AERA for arriving at Airport Tariffs

Step 1: The Airport Operator/Service Provider submits Multi Year Tariff Proposal in respect of determination of tariff for aeronautical service at the Major Airport.

Step 2: AERA floats a Consultation Paper (CP) putting forward its proposals (duly supported by reasons, assumptions, and, analysis for each proposal) which is placed on the website along with the Airport Operator's tariff proposal (MYTP) inviting comments from stakeholders. AERA gives a stipulated timeline of one month to the stakeholders for the comments.

Step 3: During this period, AERA also holds an interactive session (physical or virtual) of consultation with all the stakeholders giving them equal opportunity to provide verbal/written comments on the Consultation paper within the stipulated timeline.

Step 4: Minutes of the stakeholders meeting are issued and uploaded on the AERA's website.

Step 5: The stakeholders give verbal/written comments to the Authority within the stipulated time. Stakeholder's comments including that of the Airport Operator and counter comments on other stakeholder comments are also placed in the public domain.

Step 6: AERA follows a robust and transparent Consultation process while determines tariff for the Aeronautical services by ensuring the following: Holding due consultations with all the Stakeholders. Allowing all the Stakeholders to make their submissions to the Authority in a stipulated timeline. Making all the decisions of the Authority fully documented and explained in the final Tariff Order.

Step 7: In the tariff order itself the comments of the stakeholders, Airport Operator and the counter comments by the Airport Operator are analyzed *vis-à-vis* the Authority's proposals. Thus, the interest of all the consumers /stakeholders are addressed through this extensive and transparent consultation process.

Step 8: AERA Act, 2008, also provides an opportunity to the Stakeholders to appeal before the Appellate Tribunal against any Orders issued by AERA.

<u>Annexure-X</u>

The replies of various private airlines to the queries of the Committee as regards Regional Connectivity Scheme (Ude Desh ka Aam Nagrik)

<u>Air Asia</u> informed the Committee that Air India Express (AIX) Connect does not operate any RCS UDAN routes currently as it could not participate in earlier rounds of bidding due to non-availability of aircrafts and other resources in the past. AIX Connect looks forward to participating in the recently announced RCS 5.0 bid and improving air connectivity in the unserved / underserved regions of India.

<u>Indigo</u> stated that they follow in full, the norms prescribed in the RCS with regard to number of RCS seats to be offered and the RCS airfares to be offered for such seats. Indigo has operationalised all RCS routes awarded to it in previous RCS rounds. Further, for RCS routes / flights also, Indigo applies revenue management.

<u>SpiceJet</u> apprised that they have been actively participating in the RCS, since inception of the Scheme and they are well known for connecting unserved and underserved markets. In the recent past, they have developed many RCS stations and also added several non-RCS flights from these Airports. Kandla, Jaisalmer and Bhavnagar are the real time examples. Majority of their RCS routes are operational. However, when the Airlines see a significant drop in the loads due to seasonality and poor passenger demand, these flights are stopped to minimize their losses for a certain period of time.

SpiceJet also highlighted certain difficulties being faced by them in participating in the RCS Scheme. At times, the Airlines are not able to generate good revenue due to very poor demand, which results in losses to the Airline. Further, it takes more than 3 years to establish such flights/routes which are either unserved or underserved. Hence, they recommended that the Government should increase the exclusivity period of an RCS route from 3 years to 5 years. They also suggested that the Government should look into revision in VGF value only for those particular routes where the stage length is much higher and the passenger demand is very low. VGF tenure shall be increased from 3 years to 5 years. Also, should look into revision in VGF value only for those particular routes where the stage length is much higher and the passenger demand is very low. Government should offer more benefits like exclusivity on the routes, relaxation in statutory taxes, rebate on fuel & other airport charges. Also make these Tier 2 & 3 airports available for 24 hours' operation as in the current scenario most of the these airports doesn't have the night operation facility which is big constraint for an airline to plan the flights from such airports. The infrastructure development will definitely play a vital role to make these airports operational.

Annexure-XI

The replies of APAO to the queries of the Committee as regards Access to Reserved Lounges at Airports

APAO in their written reply, stated the following:

- Bengaluru International Airport Limited (BIAL) is not allowing ineligible persons to access reserved lounge at Kempegowda International Airport, Bengaluru (KIAB). The reserve lounge at KIAB is not used for commercial purpose on chargeable basis. The use of reserved lounge at KIAB is strictly done as per the list of entitled persons captured in Annexure-B of Aviation Security (AVSEC) circular: AV 20036/22/2003-AAI. dated 5th May, 2010.
- Mumbai International Airport Limited (MIAL) is not allowing ineligible persons to access the reserved lounges at Chhatrapati Shivaji Maharaj International Airport (CSMIA). The reserved lounges at CSMIA are not used for commercial purpose or on a chargeable basis. The use of reserved lounge at CSMIA is strictly done as per the list of entitled persons captured in Annexure-B of AVSEC circular: AV 20036/22/2003-AAI dated 5th May, 2010.
- GMR Hyderabad International Airport Limited (GHIAL) Reserve lounges doesn't have any provision of ineligible persons to access on a chargeable basis. GHIAL Reserve lounges offer services only for designated dignitaries and officials who are entitled. Ineligible guests are diverted to the commercial lounge.
- The reserved lounges at Delhi International Airport Limited (DIAL) are offering services to only entitled dignitaries and officials. DIAL do not provide service in the reserved lounge to anyone who is not authorized or ineligible and in case of any query, the same is diverted to commercial lounges in the terminal. There is no provision of charging any sort of admission fee in the reserved lounges.

APAO also informed the Committee of the following steps that are being taken to ensure that access to the reserved lounge is restricted to eligible persons only and that separate lounge facilities are available for other persons:

- BIAL has provided separate commercial lounges that are available on chargeable basis to passengers and other users.
- MIAL has personnel manning the Reserved Lounges to ensure that only entitled dignitaries access the lounges. MIAL has separate commercial lounges for use by other passengers.
- GMR Hyderabad International Airport Limited (GHIAL):
    - Entitled guest list is displayed at all the Reserved lounges.
    - Access to the Reserved lounge will be provided only upon presenting ID card and boarding pass.

- All the boarding passes are scanned to eliminate the entry of any ineligible Person & the same is recorded on daily basis.
- Commercial lounge is available for ineligible persons who want to access lounge services at the airport.

- DIAL:
  - The list of entitled guest is always available at the reception of reserved lounges and accordingly entry is allowed.
  - All the boarding passes are scanned, to eliminate the entry of any ineligible Person.
  - Apart from this, if any ineligible person reaches the reserved lounge, they are politely diverted to commercial lounges at the airport.

*****