

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
RAJYA SABHA
UNSTARRED QUESTION NO : 655
(TO BE ANSWERED ON THE 10th February 2025)

MECHANISM FOR FIXING OF AIRFARES IN THE COUNTRY

655. DR. SASMIT PATRA

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

- (a) the mechanism for fixing airfares by the airlines in the country, the details and the laws/rules under which this is being moderated;
- (b) if the airfares are market-linked, is there any transparent mechanism which Government is privy to, which allows it to know what are the market forces and their magnitude to determine such hikes in airfares in the country; and
- (c) with a major duopoly now in the commercial airlines industry between two large corporates, whether Government is considering to bring about some transparency in the mechanism of fixing of airfares in the country?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION

(Shri Murlidhar Mohol)

(a) to (c): As per Rule 135 of the Aircraft Rules, 1937, every air transport shall establish tariff having regard to all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff.

The airfares are dynamic in nature and follow the principle of demand & supply. The trends in airfare prices in India exhibit considerable seasonality, prevailing fuel price, the capacity of the aircraft operating on the route, competition on the sector, season, holidays, festivals, long weekends, events (sports, fairs, contests) etc. The months of May and June experience heightened traffic, with a notable peak in international travel commencing in mid-July, which concurrently influences domestic demand. From July to September, there is typically a decline in travel activity due to the monsoon season. Nevertheless, the arrival of the festive season in October, particularly during the celebration of Diwali, triggers a notable resurgence in travel demand. By mid-January, travel demand begins to wane, continuing its decline until the final week of April. Following this period, a renewed interest in travel coincides with the summer holidays, contributing to an

increase in demand once again.

Besides this, the pricing of airfares is significantly influenced by operational constraints at airports, are subject to limitations imposed by terrain, weather conditions, and restricted operating hours. The combination of constrained capacity and elevated demand leads to increased fares on these routes due to operational limitations and capacity restrictions.

Furthermore, establishment of the Tariff Monitoring Unit (TMU) in DGCA has led to the systematic monitoring of airfares on randomly selected routes. The principal function of the TMU is to ensure that airlines adhere to the established tariffs as per Rule 135 when setting their fares. By doing so, the TMU plays a critical role in maintaining airfare levels within the boundaries of the airlines' prescribed tariffs. This proactive approach serves to mitigate abrupt price surges that may arise from local events or force majeure conditions.

Airfares are not subject to regulation by the Government and airlines have the flexibility to determine their airfares based on their operational needs, while adhering to Rule 135 of the Aircraft Rules, 1937. While the government generally refrains from regulating airfares to maintain market competitiveness, however, it remains vigilant, and the Government intervenes to shift capacity from one sector to another to prevent exorbitant pricing to ensure passenger comfort and welfare.

Given the complex dynamics of the Indian aviation industry, Government is playing the role of a facilitator by way of creating enabling environment to support the growth of the sector.
