IAAI
Reg. No. ER 544/2001

IATA AGENTS ASSOCIATION OF INDIA

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9th August 2022

Sub: Appeal to Shri Jyotiraditya M. Scindia ji, Hon. Minister for Civil Aviation, from IATA Agents Association of India (IAAI) for the travel agent's fraternity and on behalf of the Air Passenger Rights Forum for taking necessary steps to regulate and control the Airfare for domestic flights in India

India is the fastest-growing airline market in the world, and Private airlines have taken over the skies. At the same time, airline prices have exorbitantly inflated, making air travel more expensive to the traveling public. Domestic or international, depending on the distance passengers wish to travel, the flight ticket prices also vary. Globally, distance plays a pivotal role in determining flight ticket prices. Usually, the further the distance, and more the travel time, the more expensive is the flight ticket price.

Demand-based pricing is the most conventional pricing strategy in the airline industry. It works out a pricing concept on how much the customer and market will bear. Often, airline pricing categorizes passengers into one of two segments - leisure or business. Disparity and inconsistency in pricing are other factors that affect travelers. Especially at school reopening, during festive seasons, or other such occasions, airline prices are often at their peak in times of high demand. During the off-season, the exact tickets are priced at much lesser levels.
However, the Indian pricing strategy is solely based on a new calibrated dynamic system, a non-regulatory pricing policy beyond the limitations of the Regulatory Authorities and the Competition Commission of India.

At this juncture, the following issues may, directly or indirectly, affect the traveling public in India and must be reviewed and considered by the Authorities:

UDAN- vision to make an ordinary person fly

The value-based pricing was shifted unnoticed to a new dynamic time-based pricing policy.
After 70 years of independence, in 2016, the Union Government introduced the country's new National Civil Aviation Policy and the UDAN Scheme to boost the aviation sector in India, with a motto- "to A common man who travels in slippers, should also be seen in the aircraft."
The UDAN regulated pricing policy capped fares for a flight less than one hour or 750 km to Rs 2500/-- a well-studied, researched, and discussed policy.

Fare capping - time and distance-based pricing policy

India had imposed lower and upper limits on airfares based on flight duration when services resumed on May 25, 2020, after a two-month Covid-triggered lockdown. It had placed limits on airfares through seven bands based on flight duration. The first band consisted of flights that were of less than 40 minutes duration. The government imposed the lower caps to help airlines struggling financially due to coronavirus-related travel restrictions. The upper lids are also set, so passengers are not charged massive amounts when the demand for seats is high. In a faced manner, the government enhanced fleet capacity from the initial capacity of 30% to 80%, paving the way for a recovery from the pandemic.

The surge in the second pandemic wave decreased passenger traffic and resulted in the cancellation of many flights. Foreseeing the deteriorating situation, MoCA permitted airlines to operate at 50% fleet capacity than the existing 80 percent effective from June 2021. For economics simulation, the government declared a duration-based hike, an increase of the lower limits from 13 percent to 16 percent - a network-wide fare capping.

Now, Domestic air travel became costlier on August 12 last year as the Civil Aviation Ministry raised the lower limit for flights under 40 minutes from Rs 2,600 to Rs 2,900, an increase of 11.53 percent. The upper cap for flights under 40 minutes was increased by 12.82 percent to Rs 8,800. The government's caps do not include the passenger security fee, user development fee for the airports, GST, and other unbundled charges. These charges are added on top when the passenger purchases the ticket.

On September 18, 2021, MoCA revised the fare rules, that the lower and upper limits on airfares would remain for 15 days at any given time, and the airlines would be free to charge without any limitations from the 16th day onwards.

A fifteen-day capping will not give any choice to customers. It will provide more leverage to airlines to increase or decrease fares within the fare band, at their whims and fancies, as they are on equal footing without competition, wherein the Russia-Ukraine war or ATF prices or currency fluctuations do not feature.

Speed, distance, and time are closely interrelated to each other. All Indian carriers are operating these sectors with a fleet of narrow-body aircraft. Before fare capping, all these flight schedules were shown with actual flying time, 40 minutes to less than one hour. Variably, all these flight schedules today are with one-hour and above flying time- a magical swapped print.

Long-haul flights - Common rated pricing policy

Long-haul flights from Delhi to Bangalore and Delhi to Kochi explicitly show that full-service and low-cost carriers offer the same base fare, irrespective of their services.

Long haul flight from Delhi to Kochi for above 3 hours flight		
Indigo	3 hr 05M	Rs 10,230/-
Vistara	3hr 15 m	Rs 10,395/-
Air India	3hr 20m	Rs 10,575/-
Air Asia	3hr 15m	Rs 10,396/-

Long haul flight from Delhi to Bangalore for above 2 and half hours flight		
Indigo	2 hr 40M	Rs 9,330/--
Vistara	2 hr 40m	Rs 9,500/-
Air India	2Hr 25m	Rs 9,638/-
Spice jet	2 Hr 40m	Rs 9,250/-
Go First	2hr 40M	Rs 9,329/-

This current pricing strategy often leads to confusion for ordinary passengers. They take a ride without being able to identify the services provided by a service carrier as a part of their ticketed fare and the similar services purchased separately from the budget airlines on additional payment over the standard ticketed price.

The unbundled service charges on baggage, seat selections, food, and beverages are additional income to LCCs, and nothing is parted to the passengers' benefit for choosing a low-cost carrier.

Look at the realities:

The fare band limits system implemented by MoCA is based on flight distance and flying time to make flights accessible to citizens of every walk.

IATA Agents Association of India Cochin

- All carriers collectively swayed and automated flight schedules to display their lowest flight durations to one hour plus, irrespective of the time required for take-off and landing (considering the delays caused by airport and airway congestion).

- Now comes the trumpeted ULCC carrier- Aakash Air, getting into the skies from BLR/COK on August 12; it also offers the standard price at Rs 3483/, which its competitors Indigo and Air Asia offered for their 1 hr 05 min flight to cover 366 km.

- Comparing the pre-Covid-19 operations, today, many routes with fewer frequencies or competition. Chennai-Kochi-Chennai was operated by four airlines; today left with one airline only.

- Airlines still operates only 72.5 percent of their allowed capacity to date, whereas MoCA is permitted to use a maximum of 85 percent of their pre-Covid domestic flights.

- Fewer frequencies and route monopolizations create artificial demand, especially in a scenario where domestic travel is boosted today. And it should not burden the traveling public.

Records show that only 4% of the Indian population currently flies. All airlines are privatized, and a well-planned, structured policy can only make air travel affordable for the ordinary person. To accomplish the dreams of our Honourable Prime Minister Modi Ji to see that people in rubber slippers should also fly, we urge the Civil Aviation Ministry to review, regulate, and resolve the current pricing policy harmoniously to make air travel affordable to the ordinary person.

In this regard, representing the IATA Agents Association of India for the travel agent's fraternity and on behalf of the Air Passenger Rights Forum, we request Civil Aviation Ministry to take for necessary steps to regulate and control the Airfare for domestic flights in India, by considering the following demands of traveling public in India.

- The published base fare of the low-cost carrier should be less than a full-service carrier when operated on the same route, as most ordinary passengers cannot differentiate these facilities and services. The ULCC must be identified from LCC.
- Facilitate the carriers to operate more frequencies and use 100% fleet services.
- The fare band should be reviewed and regulated to provide an affordable air travel facility based on the actual flying time calculated on the lower fare band of less than one hour or 750 km.
- Ensure sufficient frequencies and competition in all routes to avoid monopolization and cartelization.

Thanking you in advance for your understanding and cooperation in this regard and look forward to a favourable response from your good office.

Yours truly,
For **IATA AGENTS ASSOCIATION OF INDIA & AIR PASSENGER RIGHTS FORUM**

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IAAI National President
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CC: to : 1) Gen. (Dr.) V. K. Singh (Retd.), Hon Minister for State, MoCA
2) Shri Arun Kumar, Director General of Civil Aviation, DGCA