

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:163

ANSWERED ON:03.08.2006

HIKE IN AIR FARES

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Will the Minister of CIVIL AVIATION be pleased to state:

- (a) the number of times the air fares of public sector airlines have been hiked during the last three years;
- (b) whether the public sector airlines have hiked air fare recently;
- (c) if so, the details and the reasons therefor and its likely impact on air travellers;and
- (d) the steps taken to facilitate air journeys among middle class people in the country?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL)

(a), (b), (c) and (d): A Statement is laid on the Table of the House.

(a), (b) and (c): Air India has not carried out any fare hike during the last three years. In fact, the fares have declined by an average of 2-3% on Air India network. To partially offset the impact of escalating fuel prices, Air India has resorted to increase in levy of fuel surcharge from June, 2004 in line with and at par with route specific surcharge levied by other foreign carriers operating on the given route. Given below is an account of increase effected since June 2004 on routes to USA, UK/Europe:

USA UK/Europe

June'04 USD 14.00 June'04 USD 9.00
October'04 USD 30.00 October'04 USD 20.00
May '05 USD 50.00 May'05 USD 30.00
July '05 USD 80.00 July '05 USD 45.00
February'06 USD 100.00
February'06 USD 55.00
June '06 USD 125.00
June '06 USD 65.00

Indian Airlines and Alliance Air domestic rupee fares have been revised five times during the last three years (viz, 2003-04, 2004-05 and 2005-06) on the domestic network. Details are as under:

Date % of Increase

26th March, 2003 15
21st June, 2004 10
14th October, 2004 10
15th April, 2005 12
18th October, 2005 10

In order to offset the increase in the ATF price which touched Rs.41,950/- per kilolitre on 1st May, 2006 and Rs.43,600/- per kilolitre effective 1st July, 2006, Indian Airlines levied Fuel Surcharges as follows:

(i) Fuel Surcharge of Rs.300/- per flight coupon on Rupee fare level and USD 6.80 on USD fare level for domestic travel effective 4th May, 2006.

(ii) Fuel Surcharge has been revised from Rs.300/- to Rs.500/- and USD 6.80 to USD 11 w.e.f. 7th July, 2006.

Air travel has become costlier due to increase in fare/fuel surcharge. However, this increase is largely on account of increase in input costs and is in lines with the practice adopted by the competitors.

(d): Both Air India and Indian Airlines are commercial organizations and have to act on business principles. Both airlines constantly endeavour to upgrade and add value to the product offered to passengers. In order to remain competitive, they also introduce market driven schemes taking into account factors like competition, seasonality, supply and demand equation, etc.

Based on above mentioned market factors, which are highly dynamic in nature, Indian Airlines launches short/long term promotional schemes from time to time. Introduction of special fares/schemes are today market based such as:

- (i) Easy Fares;
- (ii) Unchecked Fares;
- (iii) Lean sector Promotional Fare;
- (iv) Excursion Fares;
- (v) Smart Business Class Companions Offer;
- (vi) Class Apart Fares; and
- (vii) Common Interest Group Concession - Domestic Sectors.

Air India has launched a Low Cost Carrier i.e. Air India Express in April, 2005 with a view to provide economic and safe travel to people in the middle class and those who are employed in the Gulf with modest salaries.

Air India also provides special discounts to students traveling to Europe, UK and USA to cater to this special market segment. During specific periods, Air India issues special fares for senior citizens offering discounts ranging around 10%.

