



Press Release

08th December, 2023

CAIT ASK GOEL & SCINDIA TO BRING MSP FOR AIR FARES

The Confederation of All India Traders (CAIT) has today raised strong concern over illogical, exorbitant & unguided airfare tariffs charged by different Airlines in the Country causing much harassment & economic loss to the Consumers. The CAIT said that different airlines are working in a cartel mode which is evident from the fact that for any sector different Airlines prescribe almost same charges whether by an economic airline or a full service airline and thus in a smart way the competition is eliminated much to the vested interest and advantage of Air operators.

CAIT National President Mr B C Bhartia & Secretary General Mr Praveen Khandelwal while raising serious concern over this blatant looting by the air companies in the name of dynamic pricing, which is nothing but a tool for creating a monopoly and capitalism, much against the mandate of the Government to empower common man with all services at a reasonable cost and principle of natural justice & principle of equity.

Both Mr Bhartia & Mr Khandelwal said that it is necessary to examine the model of charging air ticket prices by air companies. These companies, first set a price for any air travel, but as the demand for air travel increases, the prices are increased manifold & arbitrarily without any substance. On many occasions this increase is five/ six times or more and consumers are openly looted. Prices are increased at any time which has no justification. All air companies are involved in this sinister game and by forging a cartel, they manipulate the prices much against the letter & spirit of The Competition Act and The Consumer Protection Act.

Both trade leaders quoted Rule 135 of the Aircraft Rules, 1937 which provides that " (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."

In the above rule "reasonable profit" assumes much significance. Though reasonable profit has not been defined but to safeguard the interests of the consumers, the DGCA and the Airport Economic Regulatory Authority is empowered to deal with Air Tariff and issue instructions to Airlines to charge reasonable profit based on operational cost, services and other allied factors. However, it has been noticed that Airlines are free to charge any price at any time having no monitoring of DGCA or AERA which has led to mental & economic harassment of the air passengers.

CAIT said that prior to 1994, airfares were fully regulated by the central government under the Air Corporation Act, 1953. It was deregulated in 1994, and presently Rules under the Aircraft Act, 1934 oversee airfares.

Under the Aircraft Rules, 1937, airlines are required to fix tariffs while keeping in mind reasonable profits and the generally prevailing tariff. The Directorate General of Civil Aviation (DGCA) is responsible for monitoring fares. It can issue directions to airlines which charge excessive or predatory prices, or engage in oligopolistic practices. The oversight by DGCA, airlines charge excess, which leads to a surge in air fares.

Mr Bhartia & Mr Khandelwal said that airlines fix prices on a cost-recovery model and do not consider reasonable profits. Therefore, reasonable profit must be clearly defined, and airlines must be encouraged to fix tariffs on reasonable profit to give passengers a fair deal. It is also noted that currently, airlines are free to charge reasonable airfares as per their operational viability, and the government does not monitor seat booking fees.

Both trade leaders suggested that in the wake of wide variation in seat prices, a formula could be devised to regulate excessive surges in fares. Seat prices vary on the same flight due to unbundling, where the base price is very low and amenities are charged as add-ons. There is an urgent need for relooking this mechanism, as it goes against the principle of equity.

Mr Bhartia & Mr Khandelwal said that low-cost airlines charge higher fares on the same routes, in comparison to full-service airlines. This is despite low-cost carriers offering fewer services such as free meals on board, comfortable seats, and loyalty benefits. Low-cost carriers do not have a fixed criterion to fix airfares, and they are determined by market dynamics. The term market dynamics is vast and uncertain, and it is desirable that the Government monitor such fares at regular intervals.

Both trade leaders added that largely above tariffs pertains to economy class in air travel. The purpose of economy class was originally to make air travel accessible to people like the middle class, but in the name of earning money, economy class has also been made an expensive class, which is a direct attack on the interests of the customers.

Mr Bhartia & Mr Khandelwal said that keeping in mind the larger interest of consumers, we urge that a Maximum Sale Price (MSP) must be levied on Airlines for charging Air Tariff on the pattern of MRP as levied on sales of goods. It is also suggested to form an independent monitoring body, along the lines of SEBI with quasi-judicial powers to enforce reasonable tariffs.

For more details, please contact CAIT Secretary General Mr. Praveen Khandelwal at +91-9891015165

