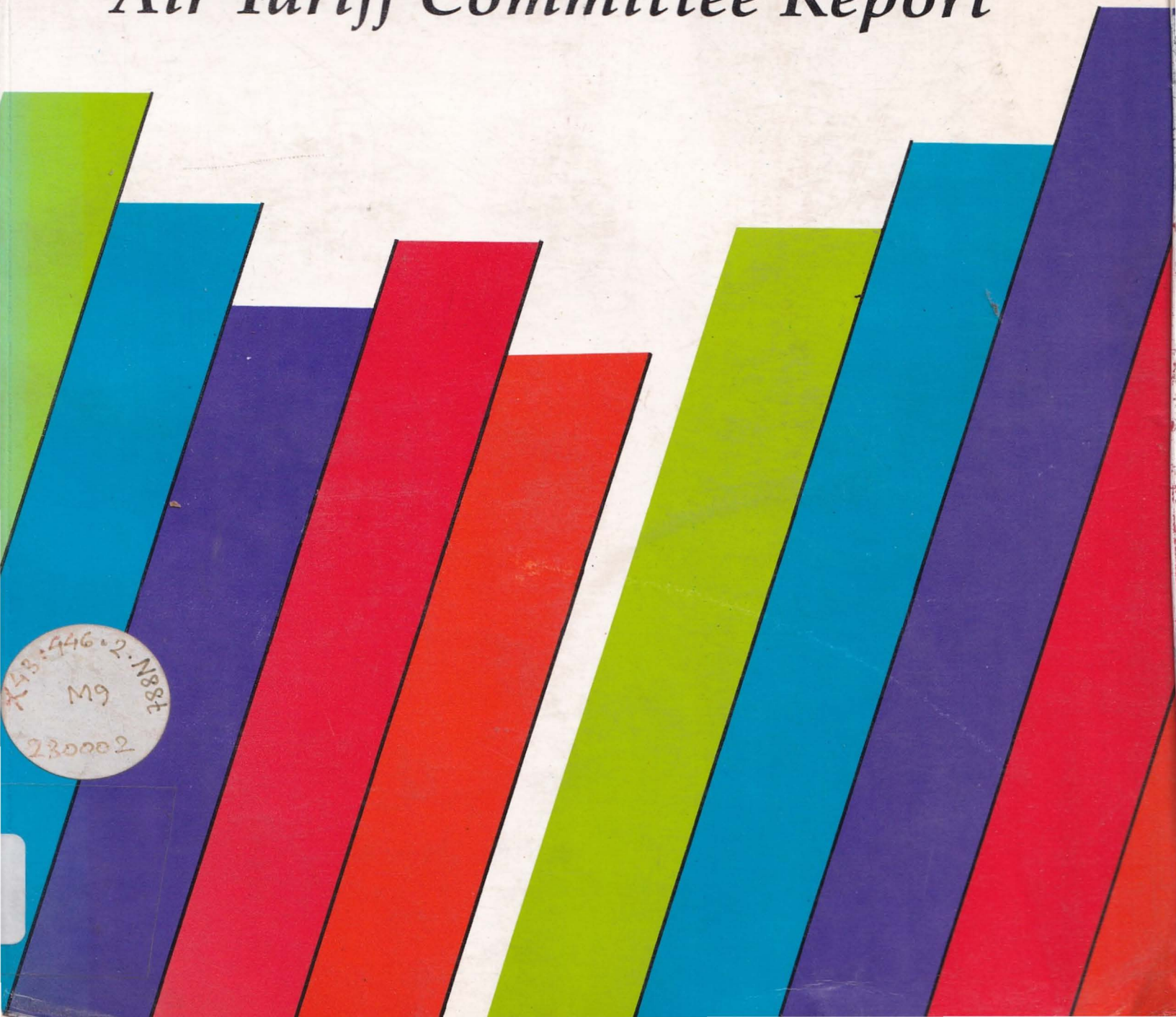


Planning Commission
Government of India
December 1989



Air Tariff Committee Report



446.2.N881
M9
230002

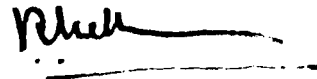
Air Tariff Committee Report

*Planning Commission
Government of India
December 1989*

Preface

The Planning Commission constituted a Committee to make a comprehensive examination of domestic air fares and freight rates and pricing of infrastructure facilities. Besides holding a series of meetings and discussing the issue in all its aspects, the Committee conducted a detailed study of the various items of costs relating to different types of aircrafts which are being operated by Indian Airlines Corporation, and considered the various available alternatives in respect of pricing. In view of the fact that the future operations of IAC would be largely based on the newly acquired A-320 aircraft, the Committee decided to adopt the long run marginal cost of A-320 aircraft as the basis for development of tariff. The proposed tariff structure along with the gist of other recommendations find a place in the executive summary. Apart from developing a rationalised tariff structure, recommendations have also been made, among others about quality of service linked tariffs and provision of infrastructural facilities.

The Committee places on record its deep appreciation to Shri V. Gopalakrishnan, Senior Cost Consultant, BICP, Shri Anil Goyal and Shri S.K. Kundra of IAC who have given invaluable suggestions and put concerted efforts in the making of this report. The Committee is also thankful to other officers and staff of the IAC who have provided the secretarial and other assistance required for facilitating the work of the Committee.



Vijay L. Kelkar
Chairman

Table of Contents

<i>Chapter</i>	<i>Page nos.</i>
<i>Preface</i>	<i>i</i>
<i>Executive Summary</i>	<i>1</i>
1. Introduction	11
2. Historical Developments	15
3. Conceptual Framework for Determination of Airline Fares	31
4. Estimates of Costs of Airlines Services	53
5. Infrastructure Pricing	75
6. Tariff for Passenger Services	87
7. Uneconomic Services and Criteria for Subsidy	102
8. International Experience on Deregulation – Lessons for India	112
<i>Appendices</i>	<i>120</i>