

10. Constructed Fare:

The fare calculated after applying all the rules is known as a constructed fare and is represented in the form of NUC value. At this point it is crucial to recheck the fare is done at the end in order to either avoid or add any fare applicable to the routing as per the mileage principle which may have been overlooked leading to incorrect fare calculation.

11. Total Fare in Local Currency:

International fares are published in the Local Currency Fare which is normally the national currency of the country of commencement of international transportation. For example, international fares from Malaysia are denominated in Malaysian Ringgit which is the national currency of Malaysia. However, there are groups of countries that express their Local Currency Fares in a currency other than their own national currency. These countries are divided into two main groups namely US dollar and Euro: 1. US dollar (USD) countries 2. Countries Publishing Fares in Euro Additionally, passenger fares and excess baggage charges are established in Euros for some countries that do not have the euro as their national currency.

Check Your Progress – 2

1. What are the steps involved in the construction of an air fare?

2. Expand the following abbreviations:

- a. TPM : -----
- b. MPM : -----
- c. NUC\ : -----
- d. ROE : -----
- e. EMA : -----
- f. EMS :-----
- g. HIP :-----

11.6 LET US SUM UP

One of the most important aspects of the airline industry is that concerned with revenue management. Air fare construction needs a lot of practice and expertise. The construction of air fares are technical and dependent on many factors that should be met by international standards and yet are competitive.

Airfares are typically made up of fare and rule components that define the airfare product, services and price and include: origin/destination pair, fare class, one-way/round-trip indicator, fare amount, validity dates, mileage and other rules. Air fare construction is agreeably the most important and crucial task of this industry.

11.7 FURTHER READINGS

11.8 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

- Q. 1) See Sub Sec. 9.1 & 9.3.1
Q. 2) See Sub Sec. 9.1 & 9.3.2

Check Your Progress - 2

- Q. 3) See Sub Sec. 11.1 & 11.5
Q. 4) See the following sub sections:
a. 11.5.2
b. 11.5.3
c. 11.5.4
d. 11.5.5
e. 11.5.7
f. 11.5.8
g. 11.5.9

11.9 ANNEXURE – CASE STUDY FOR FARE CONSTRUCTION

1. Steps for One Way Fares Construction (OW)

A One-way (OW) journey is composed of a place of Origin, a place of Destination which are mandatory, apart from that an Intermediate point/s could also be involved whether through Passenger's choice or for flight connection purpose. In a one-way journey the Origin and destination are never the same.

i. One-way (OW) Fare Construction without Intermediate point/s

When the origin and Destination are connected directly without any intermediate points then such Fares are deemed to be 'Direct Fares' and need no Fare Construction and can be quoted as published either by the Carrier or the PAT.

Example: BOM-BAH fare NUC 210.00 is a direct published Fare and needs no further fare construction.

ii. One-way (OW) Fare Construction with Intermediate point/s

When a one-way journey involves an intermediate point/s, such fares need to be constructed between the Origin and the Destination involving such Intermediate points, as per the following IATA/UFTAA Fare Formula. These Fares are termed as 'Constructed Fares'

Example: BOM-BAH – FRA In this case it would not be always possible to apply the BOM-FRA Direct Fare as the Journey involves an Intermediate point viz. BAH and hence this Fare needs to be constructed accordingly.

Following are the basic steps in order to construct the fare from point of origin to the destination point with one or more intermediate point/s on the routings.

Steps	Term Used	Particulars
1.	FCP	Identify the fare construction points of the fare component.
2	NUC	Quote the in Neutral Unit of Construction from the origin to the destination based on global indicator, fare type and carrier code.
3	RULE	Identify the rule number, if any. Follow rule and check for specified routing.
4	MPM	Note the Maximum Permitted Mileage between Origin and Destination of fare component.
5	TPM	Component the Ticketed point Mileages and compare the sum with MPM
6	EMA	If TPM exceeds MPM, Look for an Extra Mileage Allowance or TPM Deductions.
7	EMS	If EMA is nil or in-sufficient, determine the Extra Mileage Surcharge
8	HIP	<ul style="list-style-type: none"> ✓ Look for a Higher Intermediate Point Fare from ✓ Component origin to intermediate stopover ✓ Intermediate stopover to another stopover ✓ Intermediate stopover to component destination ✓ If there is a higher fare, replace the Origin-Destination NUC with this HIP Fare and apply EMS if any
9	RULE	Follow HIP Fare Rule, particularly conditions on stopovers, transfers seasonal / week applications
10	AF	Determine the applicable fare in NUC which is the result of above steps
11	CHECK BHC	Apply Backhaul Formula from Origin to highest rated stopover point if any
12	TOTAL	Get the Total Result of all the above steps in NUC
13	IROE	<ul style="list-style-type: none"> ✓ Multiply the NUC total by the IATA Rate of Exchange based on the COC or country of commencement of international travel. ✓ Drop trailing zeroes if any
14	LCF	<ul style="list-style-type: none"> ✓ Round the resulting Local Currency Fare. ✓ Follow instructions on how to round off.

2. Construct the cheapest fare for the booking as per details given below:

1. EK 301 Y 04JAN DEL DXB HK1 0400 0800
2. BA 342 Y 10JAN DXB LON HK1 1230 1530
3. SK 1240 Y 05FEB LON CPH HK1 1445 1715
4. SK 556 Y 09FEB CPH FRA HK1 1235 1820

ROE 75.30
TAX 229WO TAX 555AE TAX 1450FR TAX 89IZ
TAXES 300YR
TAX 1850UB TAX1950GB TAX
17500 YQ

ECONOMY CLS FARES, MPMs & TPMs

FROM	TO	TPM	OW - NUC	RT - NUC	GI/MPM
DELHI	DUBAI	1360	434.89	724.83	EH1632
	COPENHAGEN	3820	2023.80	3113.40	EH5682

	FRANKFURT	3804	2023.80	3113.40	EH5152
	LONDON	4169	2180.33	3354.29	EH5598
	CHICAGO	7476	3118.80	5359.16	AT10206
DUBAI	DELHI	1360	604.56	1097.47	EH1632
	COPENHAGEN	2994	1990.70	3314.21	EH4372
	FRANKFURT	3008	1731.99	2883.93	EH3944
	LONDON	3403	1745.61	2905.72	EH4304
	CHICAGO	7200	2627.07	4548.83	AT9009
COPENHAGEN	DELHI	3821	3292.01	5060.47	EH5394
	DUBAI	2994	3816.25	5870.93	EH4372
	FRANKFURT	422	404.50	506.04	EH506
	LONDON	594	404.50	506.04	EH702
	CHICAGO	4262	3303.53	5678.58	AT5114
FRANKFURT	DELHI	3804	3329.18	5120.68	EH5152
	DUBAI	3008	3296.90	5072.26	EH3944
	COPENHAGEN	422	404.50	507.22	EH506
	LONDON	396	404.50	507.22	EH4051
	CHICAGO	4334	2953.21	5092.12	AT5200
LONDON	DELHI	4169	3170.21	4875.69	EH5598
	DUBAI	3403	2900.93	4461.56	EH4304
	COPENHAGEN	594	404.50	507.22	EH712
	FRANKFURT	396	404.50	507.22	EH475
	CHICAGO	3953	4200.43	6460.79	AT4743

SOLUTION:

Fare Construction Points (FCP) – DEL FRA ‘y’ Class One Way (OW)

Step -1: Convert the Booking into Routing as Below checking ‘No Stopovers’ and mention Ticketed Point Mileages for each city pair travelled in the routing.

DEL
1360 DXB
3403 LON
594 CPHR
396 FRA
5753 – Total

Step 2 – Construct fare as per the Mileage Principle.

FCP – DEL FRA ‘Y’ CLS OW

TPM – 5753

MPM – 5152

NUC – 2023.80

ROE – 75.30

RULE – AS PER FARE BASIS

EMA – NOT APPLICABLE

EMS – REQD. TPM/MPM; 5753/5152 = 1.11
=15% I.E. 15M (will raise the fare by 15% as mileage exceeds)

HIP -
HIP TABLE

DEL	DEL				
DXB	434.89	DXB			
LON	2180.33	1745.61	LON		
CPH	2023.8	1990.7	404.5	CPH	
FRA	2023.8	1731.99	404.5	404.5	FRA

HIP - DEL LON = 2180.33

CF – HIP FARE (if appl.) + EMS (if appl.)

= 2180.33 (DEL LON) + 15M

= 2180.33 + 2180.33 X 15/100

= 2180.33 + 327.04

= 2507.37

LCF – CF X ROE

= 2507.37 X 75.30

= 188805.67 (To be round off to next INR5
multiple)

= INR 1,88,810

TOTAL FARE – FARE + TAXES

