UNIT 11 FARE CONSTRUCTIONS

Structure

11.0 OBJECTIVES

After going through this Unit you will be able to:

- understand the concept of Air Fares;
- comprehend the different definitions, terminologies and concepts of air fare construction;
- identify the different types of fares; and
- understand the basic steps for air fare constructions

11.1 INTRODUCTION

An airfare (otherwise known as a fare) is the fee paid by a passenger for air transport and is made up of the charge for a passenger to fly from an origin to destination and includes the conditions, rules and restrictions for travelling on the airfare. Oxford languages define airfare as "the price to be paid by an aircraft passenger for a particular journey". We can also define fare as:

1. The charge for a passenger to fly from origin to destination.
2. The amount a passenger pays, including the conditions for travel at this amount (that is, the rules and restrictions that must be satisfied in order to qualify for a specific fare). Together, fares and rules form an infrastructure used for auto pricing (identifying a fare electronically).
3. The charge for a passenger to fly a given segment (city pair).

Air fare has 11 components that includes market (city pair), rule number, fare class, one- way/round-trip indicator, MPM or routing number, footnote(optional), currency, fare amount, effective date, discontinue date, and mileage. 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. Published Fares displayed on the GDS (Air Tariff) apply to direct travel when no stopover or connections are made between the

point of origin and the destination. In certain cases, stopovers and/or connections are permitted in accordance with the routing quoted against the corresponding fare.

The mileage system is to be applied whenever the travel between two cities is via one or more cities where a passenger disembarks and embarks, makes stopovers at such intermediate points or connects from one flight to another; and such routings do not come within the stipulated Route Reference, if any given against the fare between the origin and destination. Between two cities a Maximum Permitted Mileage (MPM) is published and is displayed when fare request is made on GDS. Maximum Mileages are also constructed in case the through fare is not published by use of "Mileage Add ons".

The distance between two cities connected by direct air services, with shortest operated distances, are also established. These distances are called Ticketed Point Mileages (TPM's) and are used to compute the total mileage of a journey flown. It is significant to identify the Global Indicators(direction) of travel as different Maximum Permitted Mileage(MPM) applied between two cities always depend upon the route of travel. Hence, you will find Global Indicators (GI) such as EH, AP, TS etc., precede the "MPM" figure in published fares.

11.2 TERMINOLOGIES FOR AIR FARES

As a student of tourism it is essential to understand the terms that are used by the industry and accepted worldwide. There are few other things to be kept in mind whenever we are choosing a route and preparing tickets and calculating fares for a client. These are:

1. **COC:** It is the point or city from where the itinerary will commence. If you are calculating fare between LON- NYC, then the country of commencement would be the United Kingdom. Determining COC is vital since it is the first step and will decide the final fare that needs to be determined in local currency.

2. **Transit:** Waiting time between two flights is called transit time and the area where a passenger must wait is called transit area. Transit time should not exceed beyond 24 hours and passenger must not leave airport without valid and authorized document of immigration. In case of very long transit but within 24Hrs some airlines offers Stopover for the Purpose of Connection (STPC). In that case passenger can leave transit area and can even leave airport without transit visa. They will have to report again at Airport 03Hrs before departure of onward flight. Baggage would not be handed over to the passenger during transit.

3. **STPC (Stopover for the Purpose of Connectivity):** Term of STPC used for the passenger having long transit for more than 08Hrs and less than 24Hrs as a transit to get boarded to their onward connecting flight. This stay should not exceed beyond 24hrs else a transit visa would be required for the passenger, even he/she does not leave transit area of that airport. STPC can be availed by prior booking from concerned airline on charges if not included in basic fare. Most of airlines issue a STPC voucher for passenger convenience as a pre-booking for hotel. An agent should check fare notes before issuing an e-ticket to check whether STPC will be provided or not; in order to inform their passengers well in time and avoid any discrepancy at the airport.

4. **Stopover:** When a passenger wants to stay between Origin and Destination for more than 24Hrs is called stopover. For example, if a passenger is traveling like DEL-DOH-LON and want to take a stay at Doha for a couple of days it is known as stopover at Doha. In that case passenger has to show proof of valid travel documents and visa for Qatar. Some airlines usually offer stopover programs from their end as well, on prior information and necessary requirements. Suppose you were flying from New York to Los Angeles, and you wanted to stop and visit your aunt in Indianapolis on the way. Such a visit would constitute a stopover in Indianapolis. Some fares allow free stopovers, others allow stopovers for an additional fee, and many fares do not allow Stopovers at all. Now, your flight might be routed through Indianapolis anyway, and you might even have to change aircraft there. You might think you could "beat the system" by booking a connecting flight for the next day. You usually cannot do so, since if you do not depart your intermediate point (Indianapolis) within 4 hours of your arrival there, it would normally be considered a stopover. Therefore, such an arrangement would not be allowed if the fare did not permit stopovers.

11.3 TYPES OF JOURNEY

The first step to consider while calculating the air fare is to identify the kind of journey a client is planning to go on. The journeys can be categorised as below:

1. **One Way abbreviated as OW** is when the traveller just goes from Origin to Destination. In a one-way journey the Origin and destination are never the same. e.g. LON – PAR

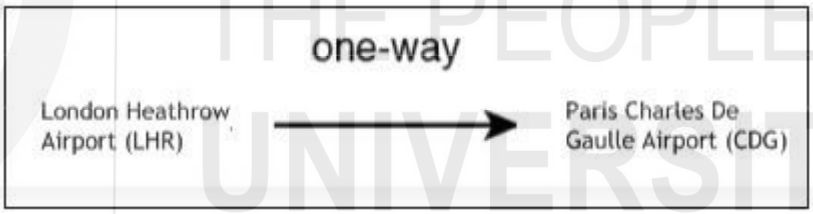

Figure 11.1 One Way Trip

2. **Round Trip or RT** is when the traveller starts from one point and comes back to the same point using the same route is called as round trip journey e.g. JFK-LON-DEL-LON-JFK

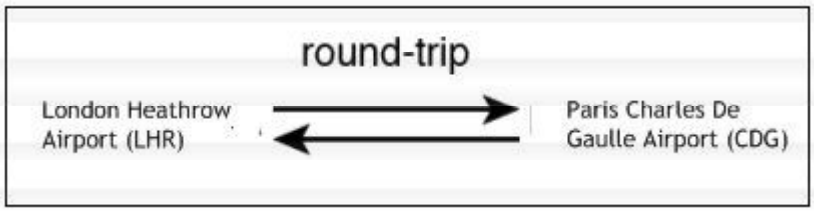

Figure 11.2 Round Trip

3. **Round the world** - The journey in which the traveller travels around the world and crosses the international timeline, visiting multiple places e.g. JFK->SYD->HKG->DEL->LON->JFK. Passenger travels from a Point (origin) and return thereto which involves one crossing of the Atlantic Ocean and only one crossing of the Pacific Ocean.

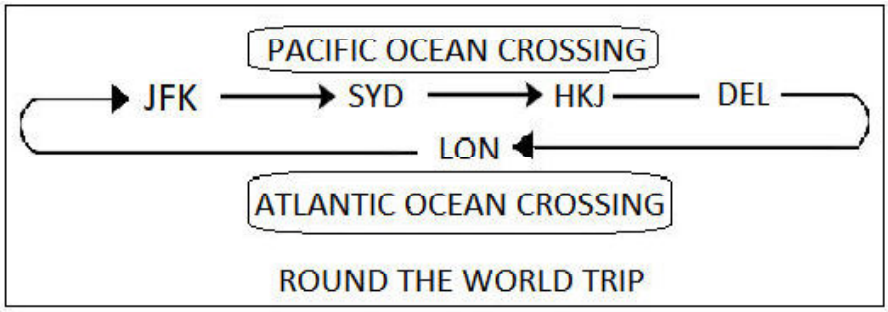

Figure 11.3 Round the World Trip

4. **Circle trip:** When the traveller starts from one location, goes to multiple locations and come back at same location where he started e.g. JFK-LON-DEL-JFK

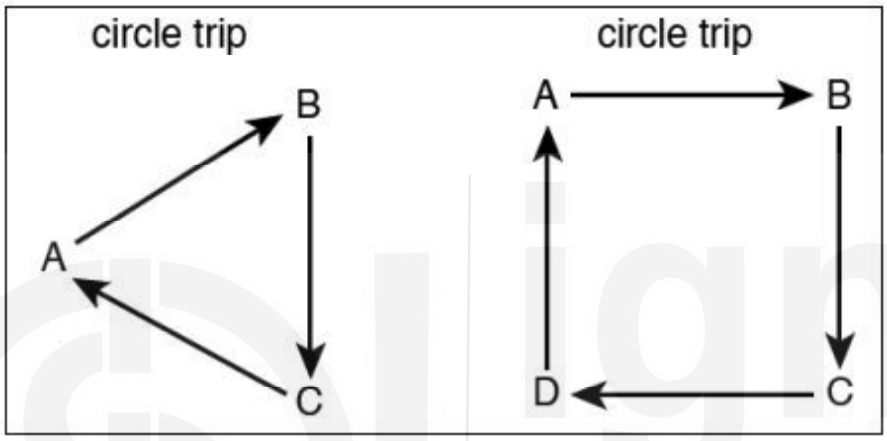

Figure 11.4 Circle Trip

5. **Open Jaw:** An open jaw is defined as "When you travel to one city and return from another". This happens when the traveller goes from one place to another by air, from there, goes to a third place by other means of travel, and then takes a flight back to where he started. E.g., a holiday-maker might fly from London to Paris, spend sometime touring France, and return directly to London from Nice. He flies into one city in the country, but depart from another. The travel between the two points/ cities n the country is by means other than air. This is an Open Jaw journey.

   Open jaw journeys may have different variants such as:

   - If travelling at Normal fares this would be abbreviated as NOJ,
   - If the journey is with Normal fares it may also be referred to as a Turnaround Normal Fare Open Jaw(TNOJ) where your destination could also be referred to as your point of turnaround
   - If the fare is a Special fare the abbreviation would be OJ.
   - When you have an open jaw at either the origin or destination, you have a Single Open Jaw (SOJ).
   - When the open sector is in the country of origin for eg. a client might be in London, fly from there to Paris, (Outbound) and return directly from Paris but to Manchester (Inbound). This is still an Open Jaw, but may also be called an Origin Open Jaw (OOJ) or Origin Normal Open Jaw (ONOJ).

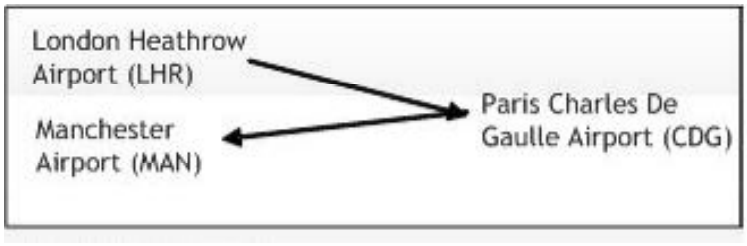

Figure 11.5 Origin Open Jaw

- The open sector can also be in the country of destination. The following example is an **open jaw** that occurs at the destination, example, you are travelling from London Heathrow to Sydney, Australia (SYD) (Outbound). You decide to take a train from Sydney to Brisbane and then return to London (Inbound). The train trip from Sydney to Brisbane is referred to as a surface sector, which is any part of your journey in which the mode of travel is not flying. Surface sector travel can include non-flight options such as ship or boat. Your routing is:

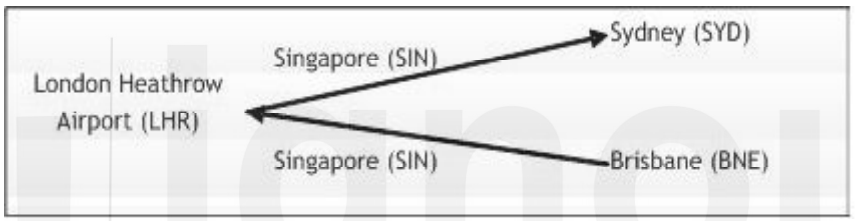

Figure 11.6 Destination Open Jaw

- Journeys can also have open sectors at both the origin, and the turnaround. A journey outward from London to Sydney, returning from Brisbane to Manchester, would be a Double Open Jaw (DOJ).

Figure 11.7 Double Open Jaw

Check Your Progress - 1

1. Define Air Fare.

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2. What are the different types of air fares

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3. What is the difference between a round trip and a circle trip?

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11.4 FARE BASIS

Fare basis is an alphabetic or alpha-numeric code used by airlines to identify a fare type and allow airline staff and travel agents to find the rules applicable to that fare. Although airlines now set their own fare basis codes, there are some patterns that have evolved over the years and are still be in use.

The Fare Basis is the code that appears on the ticket in the Fare Basis box. It can include letters, numbers, and up to two slashes (/). A Fare Basis is a compilation of the fare class or ticketing code and one or two ticketing designators.

The meaning of these codes is not often known by the passenger, but conveys information to airline staff, for example they may indicate that a ticket was fully paid, discounted, part of an excursion package, or purchased through a loyalty scheme. The fare basis is normally shown on the air ticket. On older paper tickets, it was highlighted on the relevant coupon for that flight. On modern e-tickets, it is often printed under the flight details. A fare basis will be 3 to 7 characters long but can be up to 8 characters. Global Indicators (GI) are to be applied as per the route of travel.

Fare basis codes can also tell an agent whether a fare is refundable, good for one-way or round-trip tickets, departing to or from specific countries, combinable with other fares and good in high or low season, as well as how far in advance the fare can be booked; and whether there are any routing restrictions or change penalties.

Example: Fare basis code YH7SNR gives the airline staff the following

Y: Economy fare class ticket.

H: It's a high-season ticket

7: booked seven days in advance S: It's a Short-haul flight

NR: The ticket is non-refundable

Let us understand a few components of a fare basis code:

- ✓ Fare codes always starts with a letter called a booking class or Reservation Booking Designator (RBD) which almost always matches the letter code that the reservation is booked in. Other letters or numbers may follow.
- ✓ Booking codes are the identifiers used by the airline's revenue management department to control how many seats can be sold at a particular fare level. For example, a plane may have 25 economy seats still available and the airline may show it in a reservation system as Y7 K5 M4 T6 E3 which indicates how many of each booking class can be reserved. Some codes cannot be sold by agents, and those seats may be reserved for international connections, loyalty programs, or airline staff relocation.

  Let us use an example to elaborate and understand fare basis - LN Stands for line number same as a serial number. Further let us refer to LN 19. Here the

letter 'U" is the RBD of premium economy class designated by a particular airline. Another airline may use a different letter for the same class. RIN may indicate return fare for international travel and the last two letters PV may be a code for a particular class for a particular airlines. In this example PV stands for premium economy value class, YF stands for economy flexi fare and YV for economy value fare.

LN	FARE BASIS	OW INR	RT INR
19	URINPV		31665
20	URINPV		32000
21	QRINYF		32730
22	WRINYV		32730
23	QOINYV	16700	
24	QONGSDYV	16700	

Table 11.1 Fare Basis Code

(LN: Line Number, OW: One Way Fare in INR. RT: Return Fare in INR)

Deciphering fare basis codes takes practice and knowledge specific to the airline, as each one has its own style for writing codes.

11.5 STEPS OF FARE CONSTRUCTION

Air fare constructions are based on what is termed as a Mileage system. It identifies the permitted total of ticket point mileages between two non-stop destinations or transit points and provides the official distance used between two cities, and decodes the various location/destination codes. Given in the table below are the steps to construct air fares based on the mileage system:

Steps	Term Used	Particulars
1.	FCP	Fare Construction Points
2.	TPM	Ticketed Point Mileage (Sum)
3.	MPM	Maximum Permitted Mileage of Origin- Destination (O- D)
4.	NUC	Fare as per Routeing (OW/ RT)
5.	ROE	IATA Fare of Exchange
6.	Rule/ Condition	As per fare
7.	EMA	Extra Mileage Allowance (Deduction if available/applicable)
8.	EMS	Excess Mileage Surcharge (if required)
9.	HIP	Higher Intermediate Point Fare (Mandatory)
10.	CF	Constructed Fare (NUC)
11.	TCF	Total Fare in Local Currency

Table 11.2 Steps of Fare Construction

Let us now elaborate in detail the various steps in the construction of air fares

1. Fare Construction Points:

The point of origin and the point of destination of the journey are fare construction points. FCP is any of the cities on an itinerary used as the start and finish of a particular fare. FCP means the terminal points of a fare component (also termed as fare break points).

A fare component is defined as a portion of an itinerary between two consecutive fare construction points. If the journey has only one fare component, the points of origin and destination are the only fare construction points. This happens when the Journey is done by a direct flight. Basically a fare break point means the destination where a given fare ends. For example: The fare break point for a passenger flying from Washington DC to Kansas City via Cleveland is Kansas City. One or more fare components create an itinerary.

2. Ticketed Point Mileage (TPM) :

TPM can be defined as the actual number of miles that are used for constructing an Itinerary between two points or cities. TPM can be greater, less or equal to MPM since TPM is the actual miles that are used for constructing a particular itinerary.

When calculating an airfare or to establish prorate factors, the Ticketed Point Mileage (TPM) needs to be determined. ATPM represents a distance covered by one flight coupon of a passenger ticket and is calculated on the basis of non- stop or through scheduled air services. The official source for flown mileages between all points is the TPM Manual that includes more than 65,000 city pair mileages.

TPM constantly change as they are based on scheduled flights, wherein as new routes are added or as other routes are decommissioned. It is therefore important to use the latest TPM data set for fare construction and pricing. Using outdated data can lead to incorrect fare values and loss of revenue.

3. Maximum Permitted Mileage (MPM):

It is the maximum mileage that may be travelled for a fare component. In fare construction, the Maximum Permitted Mileage (MPM) distances represent the maximum distance between two specified international points established on the basis of the shortest combinations of non-stop sectors and, where applicable, over specified construction points increased by 20%. The MPM Manual contains close to 7 million MPM distances where you can search for the MPM value by selecting the origin city name or city code and the destination city name or city code.

MPM constantly change as they are based on scheduled flights, where new routes are added or as other routes are decommissioned. It is, therefore, important to use the latest MPM dataset for fare construction and pricing. Using outdated data can lead to incorrect fare values and loss of revenue.

4. The Neutral Unit of Construction (NUC):

NUC stands for the Neutral Unit of Construction. NUC is a unit used to build fares between two cities. NUC is a common unit which is used globally for constructing mileage-based fares by all airlines. All international fares are quoted in NUC and later converted to local currency of respective countries. This creates

uniformity in fare construction globally. NUC is equivalent to the US dollar and has been designated by IATA as the sole unit of constructing a fare between two cities. Even though local currency exchange rates may vary from country to country NUC level remains constant. A neutral unit of construction is *"a common denominator used to calculate a total when adding fares in different currencies."*

Fares are calculated entirely in local currency- for journeys from the UK, this is the GBP, for journeys from France its EUR and so on. It is easy to compare

different fares if it is of the same country as it is in the currency of that country. For eg. if there are three fare quotations of GBP210.00, GBP199.00 and GBP254.00, there is no complication to identify the lowest quoted fare.

What if the fares to be compared are in different currencies? To start with it one must know the appropriate exchange rates, and then a calculator will be required. Altogether this would be more complicated than comparing three fares in the same currency. Therefore, Passenger Air Tariff publishes fares for any journey in both the local currency of the country of departure, and in NUCs.

NUCs are of course, a fictitious currency and passenger cannot pay a fare in NUCs. Neutral Units of Construction are converted into local currency fares by applying IATA Rates of Exchange. As mentioned earlier, NUC rates are pegged approximately to the US Dollar.

5. Rates Of Exchange (ROE):

IATA Rates of Exchange (IROE) provides monthly updates of IATA currency rates of exchange used by the industry for fare/rate construction. They are built based on the average of the five banking days ending on the 10th of each month. IROE is governed by Passenger Composite Resolution 024c and it enables to build fares in the Neutral Unit of Construction (NUC). The IATA Exchange Rates are reports used to perform interline invoicing and settlement between airlines. These are world currencies published and monitored against three base currencies (EURO, GBP and USD). These Reports are prepared specifically for the Commercial and Revenue Accounting departments of airlines, for the Global Distribution Systems (GDSs) and for interested System Providers.

6. Rules/ Condition:

Identify the rule number, if any and then follow relevant conditions. These are based on the:-

(i) Revenue Management System:

Different airlines create their own fare basis using the basic rules and principles of IATA. These fare basis are dependent on several factors and conditions especially those regarding seasonality, time of week, periods of application, stopover and transfers and flight application.

The first alphabet of the fare basis is known as the Reservation Booking Designator (RBD). It indicates the type of fare applicable on a particular journey. When booking a ticket, regardless of whether it is using a published or unpublished fare, there are letters that are assigned to different fares.

The first Alphabet of the Fare Basis is the RBD and indicates the booked cabin and fare.

- F, Pare the letters most commonly used to indicate First Class.
- J, C, D, Z are the letters most often used to represent Business, or Executive Class.
- Y is almost universally used to indicate a full fare economy ticket.
- B, H, L, M, V, etc. are just some of the letters indicating subclasses (reduced, restricted, and/or discounted fares). These letters vary by airline and in value. On one airline B may be indicative of a more expensive ticket. On another airline L may represent a ticket booked on a seat sale.
- X, U, R area few of the letters commonly used to indicate a fare purchased from a consolidator.

(ii) Fare Inclusions:

Any tax or charge imposed by government or other authority, or by the operator of an airport, in respect of a passenger or the use by a passenger of any services or facilities will be in addition to the published fares and charges; and shall be payable by the passenger, except as otherwise provided in Carrier's Regulations.

- Airlines pay GDSs which is known as Distribution Cost.
- GDSs then pay OTAs to close the sale.
- Travel agents booking from the GDS terminal pay a fee for using its service
- Customers booking via an OTA sometimes pay a service fee
- For Direct bookings, customer pays the airline's payment gateway directly and as soon as the payment is processed, a CRS is notified and generates a booking confirmation number. If the booking is made via OTA or meta search website, they use their own payment gateway.

7. Extra Mileage Allowance (EMA)

Extra mileage allowance is a grace allowance in mileage which is permitted when travelling via a certain city(point). Extra mileage allowance is applicable for routings throughout the globe via certain points hence it is essential to always check for EMA table before applying a surcharge for the itinerary.

For Example:

BETWEEN AREAS 2 AND 3 EMA			
Europe	Australia	Harare-Johannesburg	518
Europe	South Asian Subcontinent	via both Mumbai and Delhi; or to/from Mumbai via Delhi; or to/from Delhi via Mumbai; or via both Islamabad and Karachi; or to/from Karachi via Islamabad; or to/from Islamabad via Karachi	700
Middle East	Australia	Harare-Johannesburg	588
Middle East/Europe/Libya	TC3 (except South West Pacific)	via both Mumbai and Delhi; or to/from Mumbai via Delhi; or to/from Delhi via Mumbai; or via both	700

Table 11.3 (EMA) Extra Milege Allowance

8. Excess Mileage Surcharge (EMS)

EMS is calculated when TPM or the total number of miles flown exceed MPM or Maximum Permitted Miles. In a scenario where TPM exceeds MPM, a surcharge is added to the fare based upon a calculation, however, EMAor Extra Mileage

Allowance should always be considered before calculating surcharge. In the event. TPM is greater than MPM after adding EMA then the chance for surcharge is negated. However such situations don't occur frequently and at times even after considering EMA, the surcharge applies.

In the event that the mileage is exceeded, a surcharge of between 5 - 25% can be assessed for an additional 5 - 25% mileage, respectively. Beyond 25% additional mileage, the through fare must be broken. This scenario is covered in the next level of Airfares and Ticketing. So 'mileage surcharges' apply in the following stages:

For a mileage increase if the fare is increased by:

Not more than 5%	:	5%
More than 5%; but not more than 10%	:	10%
More than 10%; but not more than 15%	:	15%
More than 15%; but not more than 20%	:	20%
More than 20%; but not more than 25%	:	25%

9. Higher Intermediate Point Fares- (HIP)

In any routing permitted at the direct route normal fare, there is a higher direct route normal fare of the same class between any two (stopover) points; the fare for the component must be raised to the level of such higher fare.

HIP check is one of the most common checks used in fare construction. HIP stands for Higher Intermediate Point. It is a fare component check which ensures that the fare in NUC from fare component origin to fare component destination is not lower than the NUC from/to any intermediate ticketed point in the same component.

The HIP check is always undertaken to-from intermediate stopover points regardless of where the passenger buys the ticket or where the ticket is issued. An ETKT is deemed to be issued in the country in which the electronic record is created however it does not affect the HIP check any more. The HIP Check is made, for each fare component, by comparing the published fares from:

a. fare component Origin to each Intermediate Stopover point.

b. each Intermediate Stopover point to each subsequent Intermediate Stopover point

c. each Intermediate Stopover point to the subsequent Fare Break Point/ Destination.

In case any fare as per (a), (b), (c) is higher than the Origin - Fare Break Point / Destination fare, such higher fare will be applied or surcharged, as per mileage calculation. In case there are multiple Higher Intermediate Fares (HIP's), the highest

of such fares will be applied when comparing normal fares for the HIP Check; the comparison will be made in the same direction as the fare component. When using half RT fares, the comparison will be made using half RT fares. When using one way fares, the comparison will be made using one way fares. When checking the HIP, it is necessary to validate the following conditions:

- Day of week, fare level
- Seasonality(including blackout dates)
- Flight application
- Number of stopovers
- Number of transfers

When more than one normal fare is published for the carrier and class of service used, the lower/lowest fare level may be used; provided all stopover, transfer, seasonality or day of week limitations of such lower/lowest fare are satisfied (excluding stopover charges). If in any indirect routing permitted at the direct fare plus a mileage surcharge, then there is a HIP. Therefore, the fare for the component must be raised to the level of such higher fare- increased by the amount of mileage surcharge (i.e. 5% -5M, 10%-10M, 20 % -20M etc.) required for the fare component.

- **Exceptions to Higher Intermediate Points:**

  Several exceptions to the HIP Check have been filed by various countries and carriers, one of the major exceptions applicable from India is as follows:

  "For passengers originating from India for travel destined to USA/Canada, when stopovers are taken in Europe or UK, Higher Intermediate Fares (HIP) are not applicable from points in Europe/ UK to USA/ Canada."

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 that 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?

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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 aviation industry.

11.7 FURTHER READINGS

- A P Rastogi, 2007 Air Travel Ticketing and Fare Construction
- Poonam Pradhan, 2014, Air Travel Ticketing and Fare Construction

11.8 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress-1

1. Refer to section 11.1 and 11.2
2. Refer to section 11.3
3. Refer to section 11.3

Check Your Progress-2

1. Refer to section 11.5
2. Refer to section 11.5

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 thefarecomponent.
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**	✓ 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**	✓ 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**	✓ 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

TAXES TAX 229WO TAX 555AE TAX 1450FR TAX 89IZ
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
COPE-NHAGEN	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
FRANK-FURT	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) – DELFRA '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– NOTAPPLICABLE

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