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Air fares set to climb 10% this festive season

Anindya Upadhyay, ET Bureau Oct 25, 2010, 02.00am IST

Tags: Civil aviation | airlines | air travel | Air fares

NEW DELHI: All those who are planning air travel in the next four months might have to shell out more for their tickets as high demand caused by strong financial markets, festive season and good economic growth are expected to push up air fares.

"Only when the traffic is lower, do the airfares go down. It is that time of the year when in-bound tourism and personal travel increase. So, air tickets could get costlier by 5-10% between November and February," said Vimla Dorairaju, head, Mahindra Home Stays and Travel Services.

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Traditionally, monsoon months of July-September are considered a lean period for air traffic. This is demonstrated by the fact that while September witnessed an 11% growth in traffic at 39.11 lakh domestic passengers compared to the same month last year, this was less than 40.38 lakh passengers in August. But with the festive season round the corner, demand for personal travel has increased substantially. In addition, strong financial markets will lead to more spending and, in turn, boost corporate travel, too.

"Demand for air travel has increased 13% in October. But there is also a corresponding capacity addition taking place. So, the increase in fares is not going to be unearthly," said Ankur Bhatia, executive director, travel technology provider Bird Group.

Increase in air fares, in that sense, will depend on what capacity addition happens on a particular sector with rise in demand, Mr Bhatia added. He cited the examples of routes between India and South-East Asia (Malaysia, Bangkok) where a lot of capacity has been added. Therefore, fares might not go up on those sectors. However, the Delhi-London route has not witnessed any capacity addition while the demand has evidently firmed up. "So, fares could go up on that sector by 5-10%," he reasoned.

According to low-fare carrier SpiceJet, with rising demand aircraft are getting fuller and after a certain level of occupancy is reached, airfares are staying higher for the remaining seats. "In that sense, consumers could experience a rise in air fare, but not because we are consciously hiking prices," a spokesperson said. Since both SpiceJet and IndiGo are planning to get delivery of at least 7-8 aircraft each by March, there will be enough capacity to meet the demand, he added.

As per consultancy firm Auctus Advisors, capacity addition may not give a chance to airlines for a selective hike. "But airlines could start allocating more tickets in the higher price band, which will make consumers experience an air fare hike," the company's managing director, Manish Chheda, said.

By that logic, travellers flying on prime sectors like Delhi-Mumbai. Mumbai-Chennai, Mumbai-Bangalore, Delhi-Chennai coupled with tourist sectors like Mumbai-Goa, Chennai-Port Blair, Delhi-Jaipur, are expected to take an air fare hike of 15-20% till December-end and overall increase of 10% from November-February, Mr Chheda added. "Consumers may get to see a 10-15% increase on all domestic sectors till January," Stic Travel Group Chairman Subhash Goyal said. Every airline allocates a certain number of seats at a certain price band. The first few seats are priced towards the lower band so that airlines can get a sense of how a particular aircraft is filling up. That is why tickets booked earlier usually cost less. In that sense, there is the possibility that airlines may allocate more seats towards the higher price band to cash in on the demand.

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