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Airfares likely to rise by 25% this summer on crude hit

NEW DELHI: Those planning to travel by air this summer must prepare themselves for a 25% hike in fares as airlines plan to increase fuel surcharge on tickets amid forecasts that crude oil price is likely to remain above \$100 a barrel over the next four months.

"If oil prices increase, a rise in airfares is imminent because airlines can't absorb fuel costs beyond a certain point," said Sudheer Raghavan, chief commercial officer, Jet Airways. Economists have pointed out that given the political crisis in Libya and Egypt, Brent crude will hover well above \$100/barrel. "If the crisis engulfs Iran and affects the Suez Canal, crude prices could also touch \$200/barrel," said Sujan Hajara, chief economist, Anand Rathi Securities .

According to aviation experts, fuel price constitutes 40% of an airline's operating costs and therefore, passing the fuel price rise onto customers is the only way to continue making profits. [Jet Airways](#) has hiked fuel surcharge in February.

"If oil stays above \$100-a-barrel and keeps rising, fares could indeed revert to the levels they reached in July-August 2008, which means we need to be prepared for a 25% increase in the best case and a 75% increase in the worst case. It all depends on how quickly stability returns in the Middle East & North Africa and oil prices settle down again," said Alope Bajpai, CEO, travel portal iXiGo.com.

Long-haul sectors will be the most affected because of high crude prices, implying that ticket prices will shoot up the most in these sectors, said Ankur Bhati, MD, travel solutions conglomerate Bird Group . Metro sectors like Delhi-Mumbai, Delhi-Chennai, Delhi-Bangalore will also be similarly affected.

Travel portal Yatra.com has pointed out that Srinagar, Leh and North-eastern destinations, especially Guwahati, will be the hot-selling destinations this summer (April, May, June). "On these routes, say, Delhi-Srinagar, we expect that ticket prices might even double, if not booked early enough, as demand here is high and capacity limited," said Sunny Sodhi, Yatra.com Vice-President (Air Product).

This might impact the number of bookings expected this summer. According to Sodhi, 20% of the total Indian leisure travellers use the railways and 2% of this number shifts to air travel each year. "With high airfares, this shift will get impacted."

Aviation expert Mark Martin has, however, argued that air travel has now increasingly become a mode of travel like others and passenger traffic will not be affected due to a rise in airfares. "Spending is back and the economy is bouncing. Someone who has to travel will not cancel plans because of a Rs 500-600 rise

in tickets.”

So, what is the best way to avoid shelling out a lot of money on summer travel? Buy now, say experts. International fares are already up by 10% and in the next week, airlines are likely to increase fares by 5-8% on domestic routes. “Plan ahead and buy now to get the best airfare for travel during April, May or June,” said Sodhi.

“It makes more sense to compare your flight options on all the booking sites so that you are sure of finding the absolute lowest fare. The best time to book your summer holiday is right now,” Bajpai points out.

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