

Govt mandates 60% seats on flights to be free of selection fee

PROFIT STRAIN. Airlines uneasy on rising costs; ancillary revenues account for 10-15% of income

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In a passenger-centric move, the Centre has directed airlines to ensure that a minimum of 60 per cent of seats on flights are made available without any additional charge (seat selection fee), while also requiring carriers to seat passengers travelling on the same PNR together, preferably in adjacent seats.

As part of a broader push to improve transparency and standardisation, the Ministry of Civil Aviation, through the Directorate General of Civil Aviation (DGCA), mandated airlines to clearly articulate policies on carriage of sports equip-



COST LAYERS. It is a significant move as airlines price travel components separately under unbundled services framework

ment, musical instruments and pets. Besides, the directions mandate airlines to prominently display passenger rights across platforms and ensure communication of entitlements in regional languages.

BUNDLED FRAMEWORK

The move assumes significance given the current unbundled services framework, in which airlines price various components of travel separately.

At present, most seat selections are chargeable, with passengers often paying extra for preferred seats or to ensure adjacent seating even when travelling on a single booking.

Ancillary revenues, including seat selection, baggage and onboard services

like food and beverages, account for 10-15 per cent of airline revenues, with seat selection contributing a relatively smaller share within this segment.

RISING COST OF OPS

There is unease in the industry over the new norms, especially given the high cost of operations.

“Given the crude oil price situation, it is very difficult for airlines to survive if the government continues to enforce policies that are financially unviable for the sector,” a senior executive of a leading low-cost carrier told *businessline*.

A senior executive of another airline said that the impact on fares may be limited as seat selection charges themselves typically start at

around ₹200 and form a small portion of overall ancillary revenues.

Globally, such practices are uncommon, with most aviation markets allowing airlines the flexibility to price services under deregulated frameworks.

According to Mark Martin, Founder and CEO of Martin Consulting, “Selection of seats is considered a value-plus offering and preference. Although the 60 per cent limit will continue to allow airlines to sell window and aisle seats as a ‘value-plus add-on’, the bigger impact I see is with the Premium Economy product, as the middle seat in Premium Economy will need to be classified as a nil-value seat.”

According to Kinjal Shah, Senior Vice-President and Co-Group Head, Corporate Sector Ratings, ICRA, the DGCA directive will not have any material impact on the revenues of the airlines.

“Ancillary revenues have accounted for less than 10 per cent of the revenues of India’s airlines over the last few years. Ancillary revenues comprise seat selection charges, extra baggage charges and food sales, among others,” she said.