



OVERBOOKING

Allowing airlines to overbook flights creates more choice and cheaper fares for consumers, is well managed by industry practices today, and allows carriers to better manage revenue.

The Issue

Some governments are considering regulations which would restrict the current and long-established practice of overbooking, where airlines, in some cases, book more passengers on a flight than the number of seats available.

IATA's Position

Airlines should be allowed to continue long-established overbooking practices. The airline business is unique in that once a flight takes off, the seats on that flight are no longer available for sale; it's a time-sensitive, perishable product. In addition, some passengers travelling on flexible tickets may not cancel their reservation before a flight, resulting in a no show passenger. Other passengers cancel their reservations too late for the airline to re-sell their seats again. Through sophisticated revenue management systems that airlines deploy, they know the historical percentage of no-show passengers for any given route. As a result, airlines can, with a degree of certainty, overbook a flight considering the number of no-shows expected, thereby maximizing the capacity available to customers.

Consumer benefits

For consumers, this practice is beneficial because it allows more consumers to fly at the time, date and fare of their choosing. We have all experienced the frustration of our preferred flight being sold out. Imagine if that were a regular occurrence, only to find out that there were empty seats on the plane? In addition, the practice of overbooking allows airlines to keep fares low for the flying public. If airlines were no longer allowed to overbook, fares would likely rise as airlines would have to pass on the costs of more empty seats to consumers.

In addition, should overbooking be done away with, airlines would impose stricter ticketing time limits so that airlines be assured of load factors and can lock in revenue. They may also increase fees for no show passengers, or tighten the restrictions on tickets to make more fares non-refundable after a no show. So consumers may lose access to more flexible fares that are available today.

Environmental benefits

The practice of overbooking allows capacity to be used more efficiently, maximizing the number of passengers on board and reducing carbon emissions per passenger. If overbooking were not permitted, more seats would go empty and the flight would be less environmentally efficient.



Passenger protections in case of denied boarding

In rare instances (0.09% of passengers in the US in 2016¹), passengers are denied boarding. Where flights are overbooked, IATA supports, in the first instance, a call for volunteers in exchange for an agreed-upon offer the airlines extend to customers. Airlines make their best efforts to secure a sufficient amount of volunteers, so there is no need to deny any passenger boarding involuntarily. These volunteers surrender their seat in exchange for benefits under conditions to be agreed with the carrier. If however not enough volunteers come forward, IATA recognizes the right to re-routing, assistance and proportionate compensation to those passengers involuntarily denied boarding, so passengers are adequately looked after in these uncommon and stressful situations. These rights are formalized in many jurisdictions, as a result of their acceptance of the overbooking practice.

Airline rules and policies regarding denied boarding situations are communicated by carriers in their contract of carriage and other consumer rights communications. Consumers at time of ticket purchase and thereafter are provided with information on over-booking practices. Such disclosures minimize negative consumer impacts should a denied boarding event occur.

Airline Economics

The perishable nature of an airline seats are unique to the industry. Unlike many goods consumers buy which are non-perishable and can be returned to the shelves and resold, once an aircraft takes off, the seats on that flight can never be sold again. For example, a pair of shoes or t-shirt can be returned to the store and put back on the shelf to be resold, but an aircraft seat cannot. The variety of choice in ticket conditions is also unique; consumers certain of their travel plans can opt for cheaper, non-refundable options, whereas those requiring more flexibility can change or cancel their reservations more freely.

This combination of a perishable product and a variety of ticket conditions means that the practice of overbooking flights is an important tool for airlines to manage their inventory to the highest level of efficiency possible. If airlines know that a certain number of customers do not show up for a flight, and if airlines are not allowed to protect that revenue loss by overbooking, the airline is forced into an uneconomic situation of operating with empty seats that would otherwise have been filled. This is an economically important activity that should not be denied to the carriers when, as noted above, there are actions taken to minimize the impact to customers that are denied boarding. Airlines need the ability to operate as efficiently as possible in order to provide consumers with cost-competitive fares. In addition, the airline business is highly marginal in nature; banning the practice of overbooking will reduce already-thin margins, and could reduce connectivity in turn.

¹https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/html/table_01_6_4.html Includes voluntary and involuntary denied boarding.