

November 29, 2012
EICI/MEMO/1104

Shri Ashok Chawla,
Chairperson,
Competition Commission of India,
Hindustan Times House,
18-20, Kasturba Gandhi Marg,
New Delhi 110 001.

Sir,

Express Industry Council of India (EICI) is an apex body of leading express companies in India. EICI represents both the domestic and international express companies in India. Many leading express companies like Aramex, Blue Dart, DHL, DTDC, FedEx, First Flight, GATI, TNT and UPS are members of EICI.

This has reference to Fuel Surcharge (FSC) on cargo charged by Domestic Airlines in India. Fuel surcharge was introduced by the airlines in order to mitigate the volatility of fuel prices. This was first introduced in May 2008. Initially all the airlines charged Rs5/kg as FSC on May 15th 2008. No reasons were given by the airlines on the justification of how the amount was arrived at. Even though we had written to various airlines on the need to benchmark the FSC to an index as is the practice internationally, no attempt was made to do so nor was there any consultations with the stakeholders.

FSC are revised upwards substantially with no correlation to the fuel prices. The prices are being revised by the airlines more or less in tandem and acting in concert. The FSC has again been revised by around 15% by the airlines (Indigo Airlines and Jet Airways on 16th November, Spice Jet on 19th November and AI on 20th November 2012) when in fact the fuel prices have come down from what was prevailing in September 2012 when the FSC was last revised.

We give below a snapshot of the ATF prices charged by the oil companies keeping Delhi as a reference point for a few fortnights and the corresponding FSC charged by the airlines. The data is in descending order of ATF prices.

Airlines		Indigo	Spice Jet	Jet Airways	Air India	Kingfisher
Month	ATF Rs/KL	FSC Rs/Kg	FSC Rs/Kg	FSC Rs/Kg	FSC Rs/Kg	FSC Rs/Kg
16-Sep-12	73710.69	13	13	13	11	13
1-Sep-12	72281.92	11	11	11	9	11
1-Aug-08	71028.26	5	5	6	5	5
01-Oct-12	70515.97	13	13	13	11	—
1-Jun-08	69227.08	5	5	5	5	5
16-Oct-12	68398.79	13	13	13	11	—
16-Nov-12	68397.52	15	15	15	11	—
16-May-12	67046.95	9	10	10	9	10
16-Jun-12	62409.95	11	11	11	9	11
16-Nov-11	62310.33	7	9	10	5	9

Express Industry Council Of India

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From the above it is very evident that fuel prices and FSC have no correlation and the whole exercise is being done to increase the freight rates as a cartel in the garb of FSC. In fact in 2009 there were some reductions in FSC; however we understand there was a corresponding increase in freight rates to compensate that reduction.

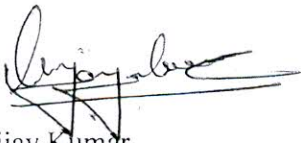
We are attaching herewith Annexure 1 which details the ATF prices prevailing at Delhi from May 2008 and corresponding FSC charged by airlines from May 2008 to November 16, 2012. The % increase/decrease of ATF prices along with variations (if any) of FSC charged by the airlines have also been shown. The % variation is taken keeping May 2008 as the base when FSC was first introduced as a pricing mechanism by the airlines.

You will appreciate that there is absolutely no correlation between ATF prices and FSC and whenever FSC has been increased it has been done in concert. In other words, FSC though it was designed to mitigate the fuel price volatility, has been used as a pricing tool to the detriment of the users who include express companies, freight forwarders and ultimately the end user.

May we request the Competition Commission of India to kindly take note of the uncompetitive behavior of the domestic airlines and pass necessary cease and desist orders.

A copy of this letter is being marked to Secretary, Ministry of Civil Aviation and Director General of Civil Aviation for information.

Thanking you,
Yours truly,
For Express Industry Council of India



Vijay Kumar
Chief Operating Officer

Cc Shri K.N. Shrivastava, Secretary, Ministry of Civil Aviation, GOI.
Cc Shri Arun Mishra, Director General of Civil Aviation, New Delhi