

Jet fuel's price hike to hit BD airlines badly

- A Monitor Desk Report

Date: 16 June, 2021



Dhaka : Already struggling for survival, three operating airlines of the country- Biman Bangladesh Airlines, NOVOAIR and US-Bangla Airlines-due to situation created by Covid-19 pandemic, are going to bear heavier burden because of latest hike of jet fuel price.

The fuel price hike is going to force the airlines to re-adjust to higher fare structure-for journey on both domestic and international routes.

Padma Oil Company, the monopoly supplier of jet fuel in the country, has once again increased the price of the fuel. This is going to substantially increase operating cost and, in turn, the price of air trip. Jet fuel constitutes 40 to 46 per cent of operational cost of the airlines.

In eight months, this is the seventh time that Padma, a subsidiary of the Bangladesh Petroleum Corporation, has increased jet fuel prices. According to local aviation industry insiders, the price hike of jet fuel will cost competitiveness of local airlines on international routes, and will lead to a higher cost of air travel on domestic routes.

From June 8, price of jet fuel is up by BDT 03 a litre to BDT 63. In October, the price was BDT 46, meaning the BPC has increased the price by 37 per cent in the last eight months.

In December, the price of a litre of jet fuel was BDT 48, in January, it was BDT 53, in February BDT 55, in March BDT 60, and in April it was BDT 61. Then in May, the

price was lowered by BDT 1.

It is estimated that that recent jet fuel price hike is going to make air journey costlier. For example, cost of air travel between Dhaka and Saidpur will increase to BDT 3,400 from existing fare of BDT 2,700. Fares on all routes will get increased in similar proportion.

Talking to a local English daily, Mofizur Rahman, Secretary General of Aviation Operators Association of Bangladesh and also the Managing Director of NOVOAIR, said that there was no rationale behind the price hike at a time when prices were stable in the international market.

"The country's aviation industry is on the verge of collapse due to the first and second wave of the pandemic. The increased jet fuel cost will be an additional burden. The BPC's monopoly and whimsical decisions should come to an end," said Mofizur.

He said that under the current extremely adverse situation, the airlines will have no alternative but to shift the burden on the travelling public as much as possible. To survive, there is no other way.

On the other hand higher cost of travel will discourage people to limit travel, because purchasing capacity of the people has also become very limited, Mofiz said.

"At a time when we need the government's support on an emergency basis, the BPC has illogically increased the jet fuel price," he added. "Our survival is at stake now."

"The increase of jet fuel prices is a severe blow to the local airlines", said Kamrul Islam, General Manager (Public Relations), US-Bangla Airlines. "Aviation is one of the worst-hit sectors by the pandemic. Operations on many international routes have been suspended since March last year. The number of flyers is also low. We will have no choice but to increase airfare," he added.

"We will be bankrupt, and the aviation industry will collapse if we don't raise the airfare in accordance with the fuel price," he said and added, "If the aviation industry does not sustain, tourism and hotel businesses will also be affected."

Aviation expert Kazi Wahidul Alam, said different countries were looking into how they could support their aviation industry. "But our government has so far done nothing in this regard. Instead, it has increased the jet fuel price although oil prices have not increased in the international market."

"I can't find any reason that warrants the jet fuel price hike. Survival of the country's airlines industry is at stake. Due to the repeated hikes in fuel price, it will become a big challenge for the local airlines to compete with foreign airlines."

Syed Mehdi Hasan, Director (Operations and Planning) of BPC, said the local price of jet fuel corresponded to the international market.

Mehdi, head of a committee that decides jet fuel prices, also said jet fuel still costs less in Bangladesh than in India and other neighbouring countries. The price hike is not to make profits, "We did it to keep up with the international market."

Aviation experts are not agreeing to what Hasan said. Comparison to India in this regard is irrelevant and as such not acceptable. They said that in the long run this is going to harm the growth trend of air travel in the country.

It may be noted that according to an estimate of private airlines, the number of travellers on the domestic routes are between 18 hundred thousand and 20 hundred thousand in a year. The number is rising at the rate of 07 per cent a year.

But the situation has changed since March 2020 due to the situation created by Covid-19 pandemic. It has hit the private airlines very badly and the jet fuel price hike is to make the burden heavier.