

Cost of Air Travel Set to Rise After Sudden Increase in Aviation Fuel Price

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Russia's aviation watchdog has noted an average price rise of 6 to 7 percent for aviation fuel in recent months.

A rise of up to 7 percent in the price of aviation fuel at Russian airports since May will push up costs for domestic carriers, making Russia's already notoriously expensive air fares more costly and damaging the competitiveness of Russian airlines on the international market, aviation watchdog Rosaviatsia said Thursday.

Rosaviatsia monitored the cost of aviation fuel in 30 Russian airports over the last three months, finding average rises of 6 to 7 percent, the agency said in a statement.

"This summer's sudden increase in the cost of aviation fuel was not expected by airlines and was not part of their operational plans," the statement said. The result will be increased costs for passengers, it added.

Oleg Panteleyev, head of aviation news agency AviaPort estimated that 100 rubles would be added to the average standard air fare.

The share of the cost of aviation fuel in the price of a ticket is around 30 to 40 percent, Andrei Sogrin, spokesman for Russia's flagship carrier Aeroflot, told newspaper RBC Daily.

Russia's No. 2 airline Transaero in a statement branded the price hikes "ungrounded" and said they were "harmful for domestic carriers and could lead to an increased ticket prices for passengers."

Panteleyev blamed the rise in the cost of fuel on seasonal factors: "July and August are peak months for airlines, and the oil companies skim the cream off carriers during this period," he said, adding that aviation fuel price also tracks the price of technologically similar diesel fuel, which is now being bought up by the government for its emergency winter reserves, creating supply shortages.

Over the course of 2013, the price of aviation fuel grew by almost 4 percent.

Dmitry Baranov, lead analyst at Finam Management investment company said that the rise in prices was exacerbated by relatively low competition in the Russian aviation industry.

"There are still monopolies in some segments [of the industry]. In many airports there is still only one choice of fuel depot, and an idea to create alternative fueling centers in airports previously voiced by the government did not work out," Baranov said.

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