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Competition Commission clears airlines of wrongdoing over Hajj airfares

The Competition Commission of Mauritius has today announced the results of an inquiry into prices of airfares during the 2010 Hajj.

An allegation was made* that the two airlines offering flights to Jeddah, Air Mauritius and Emirates, were charging identical prices, perhaps as the result of an agreement. If true, this would be a serious breach of the Competition Act 2007.

However, after an inquiry the CCM has found that Air Mauritius and Emirates bid separately and independently to the Islamic Cultural Centre (ICC). Their prices were different. It was the ICC which then 'blended' those airfares so that Hajj pilgrims would pay the same price, regardless of which airline they travelled on. There is therefore no reason to suppose that Air Mauritius and Emirates were colluding on the prices of tickets, as their prices were not in fact the same. As a customer and reseller for the tickets, there is nothing anti-competitive in the ICC's decision to blend the prices either.

The Executive Director therefore concluded that there were no grounds for a formal investigation under the Competition Act. John Davies said:

At the CCM we receive a lot of allegations, some well-founded and some mistaken. There is always a lot of activity going on at the CCM, following up the leads we are given. Most of this work never sees the light of day, as if we decide there is no case to answer, we would not normally repeat the allegation in the public domain. However, as these airlines were so publically accused of fixing prices, in the sensitive circumstances of the Hajj, we think it right to set the record straight in public.

* In a press article entitled 'Billet pour le hadj: Air Mauritius baisse de Rs. 700 et Emirates augmente de Rs. 4300' in L'express of 8th November 2010, it was stated that this uniformity in price has caused irritation amongst Mauritians of Muslim faith. The article also raised the issue of whether there was pressure on Emirates Airlines to increase its ticket price to Jeddah to align it with the corresponding Air Mauritius one.

Notice

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Hajj airfares

Following complaints and recent press articles concerning prices of air tickets for Hajj, the Competition Commission of Mauritius (CCM), has launched an enquiry on airfares for Hajj. The allegations concern the price-fixing of airfares. The enquiry has led the CCM to conclude that there are no collusive agreements, as defined under the Competition Act 2007 to fix airfares, and that the prices of air tickets for Hajj have been standardized within a specific regulatory framework.

In a press article entitled 'Billet pour le hadj: Air Mauritius baisse de Rs. 700 et Emirates augmente de Rs. 4300' in L'express of 8th November 2010, it was stated that this uniformity in price has caused irritation amongst Mauritians of Muslim faith. The article also raised the issue of whether there was pressure on Emirates Airlines to increase its ticket price to Jeddah to align it with the corresponding Air Mauritius one.

The CCM enquiry focused on the alleged collusion between Air Mauritius and Emirates Airlines for airfares charged for flights to Jeddah, Saudi Arabia in the course of Hajj. In line with its usual concern for transparency and accountability, the Competition Commission chose to make public its conclusions on this enquiry.

Emphasis was initially laid upon several parties including Air Mauritius, Emirates Airlines, Travel Agents, Hajj Operators and the Islamic Cultural Centre (ICC) to determine presence of collusive behavior. The focus was however quickly refined to the ICC and its statutory mandate as 'facilitator' in the organization of Hajj annually.

The ICC acting as facilitator is responsible for transport of Mauritian pilgrims to and from Jeddah each year, in the context of Hajj. In order to accomplish this task, it calls for bids from airlines for charter flights to Jeddah. However, in order to cater for the growing number of pilgrims, it has been having recourse to more than one airline for the past 3 years at least, namely Air Mauritius and Emirates Airlines. It has to be pointed out that Air Mauritius does not operate commercial flights to Jeddah, whilst Emirates Airlines provides Jeddah flights with a stop-over in Dubai.

After negotiations, the ICC is faced with two different airline firms, with different pricing mechanisms and hence, different airfares. While Air Mauritius proposes a per passenger airfare, Emirates Airlines proposes a total figure for the transport of a defined number of passengers. The difference in price can partly be explained by the fact that Air Mauritius operates charter flights to Jeddah, whilst Emirates Airlines offers to uplift a limited amount of passengers to Jeddah. The ICC blends the airfares in order to derive a standard airfare payable by each pilgrim. It deals with booking procedures for both airlines and effectuates payment to both. The money for airfares flows from the prospective pilgrim through the Hajj Agent and into the official account of the ICC, but only by means of bank cheques to prevent eventual loss.

Following is a comparative table of airfares for Hajj 2009 and Hajj 2010 as charged by the ICC on behalf of Air Mauritius and Emirates Airlines.

Price for	Hajj 2009	Hajj 2010
Air Mauritius	Rs 42,900	Rs 43,950
No. of passengers flying on Air Mauritius	1172	1490
Emirates Airlines (Total Payment)	US\$ XXXX ¹	US\$ XXXX
Number of passengers flying on Emirates Airlines	449	369
ICC Airfare (Amalgamated Airfare)	Rs 40,800	Rs 41,300
Refund issued per pax	Rs 2,100	None

Source: ICC and Table by Hon. Minister of Culture & Arts (National Assembly Library Doc. PQ 1B/503)

For Hajj 2010, all pilgrims were asked to pay Rs 41,300. This figure was Rs 2,650 less than the Air Mauritius airfare and Rs 4,686 more than the Emirates Airlines airfare (according to a per passenger calculation). The mechanism used to reach a standard airfare is clearly a cross subsidizing one which is used by the ICC in order to satisfy a maximum number of pilgrims and prevent frustration among them, according to ICC officials.

The ICC may standardize airfares as a decision of the Board of Trustees of the ICC, on which board a representative of the Prime Minister's Office sits, along with representatives from the Ministry of Arts & Culture and from the Ministry of Finance. This standardization falls under the mandate of the ICC to organise, facilitate, monitor and supervise Islamic Pilgrimage to the holy places and it qualifies as a facilitating move since it prevents frustration among prospective pilgrims.

In fact, it can be said that the ICC charges pilgrims a standard fare for an airlift to Jeddah in the context of Hajj, irrespective of the airline they fly on. So, the fare charged is for a complete administrative service to facilitate a pilgrim's trip to and from Jeddah, rather than for an airfare only.

¹ Excised commercially sensitive information