

Justice Dept. opposes airline cargo-pricing plan

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In a stunning blow to the airline industry, the U.S. Department of Justice has urged the Department of Transportation to reject a request by the International Air Transport Association to approve a change in a key cargo-pricing formula.

In addition, Justice urged DOT to review IATA's antitrust immunity for pricing passenger fares or cargo rates of any kind. "Such agreements are contract to fundamental United States competition policy as set forth in the antitrust laws," Justice stated in comments filed with DOT May 29.

Justice said the proposed change in the volume-conversion factor used in calculating freight rates for low-density shipments "is effectively a price-fixing agreement."

Under the new formula, 5,000 cubic centimeters would equal one kilogram, compared to the current standard of 6,000 cubic centimeters. The change could increase rates on some shipments as much as 20 percent.

"IATA has not demonstrated any offsetting important public benefit or fulfillment of a serious transportation need," Justice said. "Each carrier should be required to determine independently whether and to what extent it wishes to increase, or decrease, low-density cargo rates."

The had drawn fire from shipper organizations, including the National Industrial Transportation League, the International Mass Retail Association and a group called the High-Tech Air Freight Shippers' Coalition representing Dell Computer Corp., Hewlett-Packard Co., Intel Corp., Motorola, Sun Microsystems Texas Instruments and other high-powered importers. The coalition also represents organizations such as AeA (formerly the American Electronics Association) and the Semiconductor Industry Association.

The high-tech coalition said U.S. air carriers would derive relatively little benefit from the proposed change, while much of the cost would fall on U.S. shippers. U.S. airlines would only get about 20 percent of the estimated \$206 million in added revenue, the coalition said. American Airlines, for example, would only receive about \$9.5 million in additional revenue, while the high-tech industry would be particularly hard hit, it said, adding that 13 members of the coalition suffered combined losses of \$9.5 billion last year.

Besides affecting shippers, the increase would also harm the U.S. economy, the NIT League claimed, without achieving significant public benefits.

Sandra L. Kennedy, president of the International Mass Retailers Association, said IATA incorrectly assumes that shippers can easily change their packaging designs to meet the new density standard. As a result, she said, "it is far more likely that retailers will look to alternate modes of transportation."

Like other opponents of the IATA plan, Kennedy said carriers that wish to raise rates or change their density requirements can do so on an individual basis with their customers.

Freight forwarders - the airlines' principal cargo customers - also expressed strong opposition to the measures. Expeditors International said it made repeated requests to IATA for "a logical, detailed justification for the adoption of the resolution" but had not received a satisfactory response.

Individual shippers came out swinging. "Granting this antitrust immunity for air carriers will not only dramatically increase our shipping costs, but by eliminating competition among air carriers, will lead to inefficiencies and additional expenses beyond those already projected," said Joe O'Leary, senior vice president, logistics division for The Gap Stores.

The Society of American Florists and the Wholesale Florist & Florist Supplier Association, in responding to the carriers' argument that lightweight packaging takes up a lot of space and causes many aircraft to reach maximum volume capacity well before reaching weight limits, said they use very little protective packaging. "It would be extremely difficult to improve the efficiency of the packaging already used," they said.