

Post deregulation, drop in diesel price passes through to freight bill

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Reacting to an almost 10 per cent drop in diesel prices post deregulation in mid-October, transporters across the country have begun reducing freight charges, with the reduction being over 5 per cent in some cases.

“Diesel makes up for around 50 per cent of our costs, so a ten per cent drop in diesel prices has resulted in around 5 per cent drop in the price we charge. We have annual contracts with our customers where an escalation / de-escalation clause automatically passes through any change in fuel prices to the customer. Even open market operators have no option but to follow suit, given the stiff competition, but they usually put up some resistance,” said Ramesh Agarwal, chairman, Agarwal Packers and Movers.

He added that the one way rental from Delhi to Mumbai route for a 16.2 ton truck with 9 ton payload had dropped down to Rs 36000, from around Rs 38000 at the time of deregulation.

This dip in prices is also likely to further ease inflation in food articles, with the corresponding figure having reduced to 2.7 per cent in October from 9.64 per cent in May.

Currently, over 70 per cent of the total freight movement in the country is by roads, out of which around 25 per cent is done on a contractual basis, according to industry experts. Other than diesel, the bulk of the costs go towards tyres, infrastructure, salaries and tolls.

According to SP Singh, Coordinator, Indian Foundation of Transport Research and Training (IFTRT), declining demand and cheaper tyres could further push down rentals in the future. “Actually, tyres should have become cheaper already because oil and rubber, which are two main constituents, have become quite cheap but there are few tyre suppliers in the country and they have formed a cartel, which has so far resisted any attempts at reduction of cost,” said Singh. As per IFTRT data, a round trip in a 16 ton truck with a 9 ton payload costs Rs 62,400 today, as compared to Rs 65,700 a month ago, on the Delhi-Mumbai-Delhi truck route. The corresponding cost for Delhi-Kolkata-Delhi route is Rs 63,200 today, as against Rs 66,500 a month ago. Owners of smaller fleets see tougher competition now that charges are on the decline. “The competition is too high so we couldn’t raise prices as per need when diesel was expensive, and on any day, almost 20 per cent of our trucks are off the roads due to unavailability of drivers,” said Rajender Kapoor, Secretary General, Delhi Goods Transport Association.

Other logistics players Gati and TCIL could not be contacted for their comments.