

Airports Economic Regulatory Authority of India

Order No. 7/2012-13

AERA Building,  
Administrative Complex,  
Safdarjung Airport ,  
New Delhi - 110 003

Date of Order: 12<sup>th</sup> June, 2012

Date of Issue: 19<sup>th</sup> June, 2012

**In the matter of Annual Tariff Proposal (ATP) for the second tariff year of the 1<sup>st</sup> Control Period submitted by Bharat Stars Services Private Limited, (BSSPL), in respect of the Into Plane Service (ITP) being provided at IGI Airport, New Delhi.**

The Authority had considered the Multi Year Tariff Proposal (MYTP) for the 1<sup>st</sup> Control Period commencing from 01.04.2011 and Annual Tariff Proposal (ATP) for 1<sup>st</sup> tariff year (i.e. 2011-12) of the 1<sup>st</sup> Control Period submitted by Bharat Stars Services Private Limited, (BSSPL) for Into Plane Service (ITP) being provided at IGI Airport, New Delhi. The Authority, after due stakeholder consultation issued the Multi Year Tariff Order (MYTO) No. 02/2011-12 dated 30.05.2011 wherein the Authority decided to adopt 'light touch approach' for determination of the tariff for the 1<sup>st</sup> Control Period and also determined their tariff for the period w.e.f 28.07.2010 to 31.03.2011 and from 01.04.2011 to 31.03.2012 (1<sup>st</sup> tariff year).

2. BSSPL vide letters dated 24.02.2012, 27.02.2012 and 23.03.2012 submitted their Annual Tariff Proposal (ATP) for the second tariff year from (i.e. 2012-13) of the first control period. The ATP submitted by BSSPL was put up for stakeholder consultation vide Consultation Paper No. 2/2012-13 on 2.04.2012 with 14 days response time. The last date of receipt of comments was 16.04.2012. In response to the proposal contained in the Consultation Paper, comments were received from:

- (i) Delhi International Airport Limited (DIAL);
- (ii) Federation of Indian Airlines (FIA);
- (iii) Hindustan Petroleum Corporation Limited (HPCL);
- (iv) Indian Oil Corporation Limited (IOCL);
- (v) Bharat Petroleum Corporation Limited (BPCL) and;
- (vi) Air India

4.1 DIAL, IOCL, BPCL and HPCL supported the increase in the Into Plane Services (ITP) charges stating that it is in line with the concession agreement between DIAL and the Service Provider. IOCL and BPCL further stated that the increase should be from prospective date so that the same can be recovered from airlines. HPCL, however stated that the rate should be the function of the cost and the volume of the business and any increase in the charges should be considered keeping these factors into consideration rather than fixing yearly increase.



4.2 FIA stated that ATF prices have been increased substantially and there the tax rate has been increased by the Government from 10% to 12% w.e.f. 01.04.2012. Further aviation sector is reeling under adverse financial conditions and therefore such hike in charges may be deferred until the economic conditions are improved in aviation sector.

4.3 Air India also commented that the aviation sector is reeling under severe financial constraints and the airline will have no option but to pass on such increase to the passengers which will affect the overall profitability of the industry as a whole. Hence the increase may be deferred presently till the economic health of the industry improves.

5. In response to the comments received from above stakeholders on the consultation paper, BSSPL stated that the Into- Plane (ITP) operation of BSSPL at IGI Airport Terminal was in line with their "Long Term Agreements" with fuel suppliers & Airport Operator (DIAL) and they had requested for a minimum 5% escalation. They also stated that they had informed all suppliers regarding their rate proposal for 2012-13 well in advance. Hence, proposed rate be approved w.e.f. 1<sup>st</sup> April 2012 and not on prospective basis. They expressed the hope that the concept of fair rate of return for an enterprise taking the business risks is well endorsed & supported by all concerned. Their company had invested in the state of art refuelling equipments with long term business objectives. Despite significant increase in input cost and high inflation rate, they were proposing a minimum of 5% escalation to sustain the crucial Into Plane Operation though their arrived rate was much higher. They emphasized that Quality and Safety were of paramount importance in ITP service which is the last mile connectivity of fuel transfer in aircraft and cost cutting should not lead to compromising on Safety and Service Standards. Their submission for 5% increase in of ITP service fee was very reasonable and justified.

6. The Authority further noted that BSSPL have sought approval for the following tariffs for the year 2012-13 in line with the user agreements entered into with the suppliers.

Period	Fuelling of Aircraft	Defuelling Aircraft		Refuelling Defuelled Product into an aircraft	
		Within 6 hrs	Beyond 6 hrs.	Within 6 hrs	Beyond 6 hrs.
01.04.2012-31.03.2013	164.27	164.27	246.96	205.07	246.96

7.1 The Authority considered the stakeholder submissions and observed that DIAL, IOCL, BPCL and HPCL have supported proposal put up in the Consultation Paper for approval of the tariff for ITP services being provided by BSSPL at IGI Airport, New Delhi for the 2<sup>nd</sup> tariff year (01.04.2012 ot 31.03.2013) of the first control period.

7.2 Further, FIA have raised the issue of ATF prices having been increased substantially as also the rate of service tax having been increased by the Government from 10% to 12% w.e.f. 01.04.2012. They have also stated that aviation sector is reeling under adverse financial conditions and therefore such hike in charges may be deferred until the economic conditions are improved in aviation sector.

7.3 It was noted that Air India have also commented that the aviation sector is going through turbulent times and has become fragile due to rising fuel cost. The airline will





have no option but to pass on the burden of increase in into plane charges to the passengers which will affect the overall profitability of the industry as a whole. Hence the increase may be deferred presently till the economic health of the industry improves.

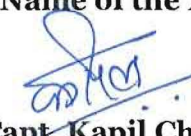
8. The Authority noted the comments and views of the stakeholders and observed that the increase in ATF price and rate of service tax is outside its jurisdiction. Further, BSSPL had entered into agreements with the ATF supplier companies and in its proposal, it had requested for hike in tariff in line with these agreements. Also, BSSPL had informed all the fuel suppliers regarding its proposal and probable increase in tariffs in advance. Hence, the Authority may approve the proposed increase in tariffs with effect from 1.4.2012, as requested by BSSPL.

**ORDER:**

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act 2008, hereby orders that:

- (i) With effect from 01.04.2012, the tariff for Into Plane service provided by Bharat Stars Services Private Limited at Indira Gandhi International Airport, New Delhi for 2<sup>nd</sup> tariff year (01.04.2012 to 31.03.2013) of the 1<sup>st</sup> Control Period are approved as given in the para 6 above.

**By the Order of and in the  
Name of the Authority**

  
**(Capt. Kapil Chaudhary)  
Secretary**

**To**

**M/s Bharat Stars Services (P) Ltd  
Corporate Office, 1<sup>st</sup> Floor,  
Plot A-5 & 6, Sector 1,  
Noida – 201 301  
(Through: Shri Vijay Ranjan, Chief Executive Officer)**

