

Airports Economic Regulatory Authority of India

Order No. 20/2011-12

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003**

Date of Order: 16th August, 2011

Date of Issue: 25th October, 2011

In the matter of Multi Year Tariff Proposal submitted by Bharat Stars Services Private Limited for Into Plane Service Fee at Bangalore International Airport, Bengaluru for the 1st control period commencing 01.04.2011

M/s Bharat Stars Services Pvt. Ltd. (BSSPL), have vide application dated 27.04.2011, submitted their Multi Year Tariff Proposal (MYTP) for the first control period commencing 01.04.2011, in respect of the tariff for Into Plane Service (ITP) provided at Bangalore International Airport, Bengaluru. BSSPL have also submitted the Annual Tariff Proposal (ATP) for the Financial Year before Tariff Year 1 i.e. F.Y.2010-11 along with the MYTP. In ATP, BSSPL have sought for the approval of the 5% revision in tariff w.e.f. 01.06.2010 upto 31.03.2011, for ITP services at BIAL.

2.1 BSSPL had sought approval for the tariff for ITP services for the control period based on a "light touch approach" as prescribed in Chapter V of the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling, and Supply of Fuel to the Aircraft) Guidelines, 2011 (the Guidelines).

2.2 As stipulated in the Guidelines, the Authority shall follow a three stage process for determining its approach to the regulation of a regulated service:

- (i) Materiality Assessment;
- (ii) Competition Assessment;
- (iii) Assessment of reasonableness of the User Agreements between the service providers and the users of the regulated services.

The materiality index, with respect to services provided for supplying fuel to aircraft at Bangalore airport, is 8.07% which is more than 5%. Hence the service is deemed as "material", in terms of Clause 4.2 of the Guidelines.

2.3 The Guidelines (Clause 5.1) provide that where a Regulated Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Provider(s), it shall be deemed "not competitive". Further, the Guidelines also provide that the Authority may, in its discretion, consider such other additional evidence regarding reasonableness of



competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.

2.4 As per information made available to the Authority, the ITP services at Bangalore International Airport, Bengaluru are being provided by M/s IOSL as well as M/s. Bharat Star Services Private Ltd (BSSPL). Since the service is provided by two or more Service Provider(s), the service is deemed to be “competitive”.

2.5 As per the Guidelines, based on the assessment of materiality and competition, when such regulated service is deemed ‘material but competitive’, the Authority shall determine tariff(s) for the service provider(s) based on a light touch approach. The regulated service being provided by BSSPL at Bangalore International Airport, Bangalore is ‘material but competitive’ and the tariff determination, in such a case, is to be made in a light touch approach, as per procedure specified in Chapter V of the Guidelines.

2.6 It had earlier come to the notice of the Authority that the existing ITP charges (@Rs.200/KL) were increased by 5%, without previous approval of the Authority with effect from June 2010. No proposal was received from the into plane service providers for any approval/ fixation of these charges.

2.7 The Authority considered the issue in its Nineteenth Meeting (No.13/2010-11) held on 23.09.2010 wherein it decided that BIAL and the ITP service providers namely BSSPL and IOSL should be immediately apprised of the legal position and requested to submit their comments and explanation in the matter failing which coercive action may have to be contemplated.

2.8 BSSPL have confirmed that based on the Authority’s advice the 5% increase effective from June,2010 has been reversed and confirmed billing at the existing rates of Rs.200/KL pending approval of the rates by AERA. Vide its application dated 27.04.2011 along with MYTP for the first control period, BSSPL have also submitted proposal for determination of the annual tariff for ITP services at Bengaluru for the period 01.04.2010 to 31.03.2011 (i.e. tariff year before the 1st Control Period) as under:

Period	Fuelling Aircraft	Price (in Rs/ Kilo litre)			
		Defuelling Aircraft		Re-fuelling De-fuelled Product into an Aircraft	
		Within 48 hrs.	Beyond 48 hrs.	Within 48 hrs.	Beyond 48 hrs.
01.04.2010 to 31.05.2010	200	200	240	220	240
01.06.2010 to 31.03.2011	210	210	252	231	252

2.9 The Authority, vide its Order No.17/2010-11 dated 31.03.2011, while extending the timeline for submission of MYTP by the ISP(s) up to 30.4.2011 also decided that in the interim, all ISP(s) may continue to charge the tariffs as prevalent on 01.09.2009 or as may have been approved/determined by this Authority thereafter with effect from 01.04.2011 and up to the date when the new tariffs as may be approved by the Authority became



applicable and that this interim arrangement would be subject to the condition that the concerned ISP(s) submit the MYTP latest by 30.04.2011. In case any service provider(s) fails to submit MYTP on or before 30.04.2011, the interim arrangement in respect of such service provider (s) would cease to be effective.

2.10 The Authority also noted that BSSPL have submitted the MYTP for ITP services at Bangalore International Airport; that BSSPL have been providing ITP services at Bangalore airport from 2008 onwards; that the charges thereof were also fixed prior to 01.09.2009, i.e., the date when provisions of the Airports Economic Regulatory Authority of India Act, 2008 (the Act) regarding determination of tariff by the Authority were made effective.

2.11 Keeping in view the above position, the Authority felt that the proposals submitted, inter alia, by BSSPL in respect of ITP services be immediately taken up for examination.

2.12 Further, in terms of Clause 7.3 & 7.4 of the Guidelines, the Authority shall upon due consideration of the MYTP and stakeholder consultations thereon make a Multi Year Tariff Order (MYTO) for a Control Period. After issuance of the MYTO, the service provider shall submit its ATP. The ATP for the first tariff year of the first control period is required to be submitted within 75 days of the issue of MYTO. As per Clause 11.2, the ATP is required to be submitted in the manner and form provided in AI.8.1 of Appendix I. The proposal is required to be supported by the following:-

- a) Details of consultations with stakeholders
- b) Evidence of User Agreements clearly indicating the Tariff proposal by the service provider and agreed to by the User.

In the instant case, BSSPL have also submitted the ATP for 2010-11, i.e., the year before the tariff year 1 of the first control period along with the MYTP itself.

3. The Authority carefully considered the proposal submitted by BSSPL, in its 42nd Meeting held on 21.06.2011, and decided as under:

- a) The ITP service provided by BSSPL at Bangalore International Airport, Bengaluru is 'material but competitive'. Hence, the Authority may adopt a "Light Touch Approach" for determination of tariff for the 1st Control period w.e.f. 01.04.2011.
- b) As per agreements between BIAL and BSSPL, BSSPL was entitled to increase the ITP service fee by 5% w.e.f. 01.06.2010 for a period of 1 year. Since in absence of Authority's approval BSSPL has not been able to charge the aforesaid increase, the ITP fee for the period 01.06.2010 to 31.03.2011 as a special case, may also be approved at this stage itself, as per rates below:

Period	Price (in Rs/ Kilo litre)				
	Fuelling Aircraft	Defuelling Aircraft		Re-fuelling De-fuelled Product into an Aircraft	
		Within 48 hrs.	Beyond 48 hrs.	Within 48 hrs.	Beyond 48 hrs.
01.06.2010 to 31.03.2011	210.00	210.00	252.00	231.00	252.00



4. Accordingly a Consultation Paper No. 10/2011-12 dated 22.06.2011 was issued placing the above proposal for stakeholder consultation. Last date for receipt of comments was 06.07.2011.

5.1 In response, comments were received from the following stakeholders:

- (i) Bangalore International Airport Ltd (BIAL)
- (ii) Bharat Petroleum Corporation Ltd (BPCL)
- (iii) Hindustan Petroleum Corporation Ltd (HPCL)
- (iv) Indian Oil Corporation Ltd (IOCL)
- (v) International Air Transport Association (IATA)

5.2 The comments received from the stakeholders were forwarded to M/s BSSPL vide letter dated 14.07.2011 seeking their clarification on the issues raised therein. M/s BSSPL have, vide their letter dated 23.07.2011, submitted their comments on the submissions made by the stakeholders. A table containing stakeholder comments, BSSPL's clarifications and draft position of the Authority thereon are indicated, in detail, at Annexure-I.

5.3 As regards BIAL's contention with reference to Order dated 19.05.2011 of the Tribunal in the matter of Appeal No.12/2011-12, a Miscellaneous Application was moved before the Hon'ble Appellate Tribunal on 24.06.2011 seeking clarifications. The instant Order is being issued pursuant to the order of Hon'ble AERA Appellate Tribunal dated 19.10.2011, issued in Appeal No. 12/2011, wherein the Tribunal ordered that

"...It is made clear that even if any final order is passed by the respondent – Airports Economic Regulatory Authority the same shall not be given effect to without leave of this Court."

5.4 It has been observed that BSSPL have clarified various issues raised by the stakeholders and that these clarifications are found to be broadly acceptable.

6.1 The rates sought for approval for the ITP fee in respect of the services provided by BSSPL are as under:

Period	Maximum Price (in Rs/ Kilo litre)				
	Fuelling Aircraft	Defuelling Aircraft		Re-fuelling De-fuelled Product into an Aircraft	
		Within 48 hrs.	Beyond 48 hrs.	Within 48 hrs.	Beyond 48 hrs.
01.04.2010 to 31.05.2010	200	200	240	220	240
01.06.2010 to 31.03.2011	210	210	252	231	252

6.2 Upon careful consideration of material available on record, submissions made by the stakeholders and submissions made by the BSSPL, the Authority, in its 46th meeting held on 16.08.2011 approved the proposal made by BSSPL.



ORDER:

In exercise of powers conferred by Section 13(1)(a) of the Act, the Authority hereby orders that:

1. The Into Plane Service provided by Bharat Stars Services Pvt. Ltd. at Bangalore International Airport, Bengaluru, is material but competitive. Therefore the Authority will adopt 'Light Touch Approach' for determination of tariff during the first control period of 5 years commencing w.e.f. 01.04.2011.
2. The tariff for the Into Plane services provided by Bharat Stars Services Pvt. Ltd. at Bangalore International Airport, Bengaluru for the first tariff year 2011-12 w.e.f. 01.06.2011 is determined, as indicated in para 6.1 above.

This order is subject to the order of the Hon'ble Appellate Tribunal referred to in para 5.3 above viz. that this order of Authority shall not be given effect to without leave of the Appellate Tribunal.

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


**(Capt. Kapil Chaudhary)
Secretary**

To

**Bharat Stars Services (P) Ltd
Corporate Office, 4th Floor,
Plot A-5 & 6, Sector 1,
Noida - 201301
(Through: Shri Vijay Ranjan, Chief Executive Officer)**



Tabulated Statement showing Comments of Stakeholders received in response to the Consultation Paper No.10/2011-12 dated 22.06.2011 on the MYTP submitted by M/s BSSPL for ITP Service fee at Bangalore International Airport, Bengaluru.

Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
Hindustan Petroleum Corporation Ltd	1	<p>BSSPL had increased the ITP charges more than double w.e.f. 01/01/2009, within a span of 7 months of its operation at BIAL. Subsequently the rates were further enhanced w.e.f 01.06.2010 as indicated in the table contained in clause 5 (iii) of the Consultation Paper Nos. 10/2011-12, approval for which has been sought by BSSPL now.</p>	<p>The ITP Fuelling Service Agreement signed between the “Suppliers” & Into-Plane Service Providers clearly stipulates the fact that the “Agency Fee” shall be subject to revision by the Into Plane Agent in accordance with the limits set by BIAL from time to time. Accordingly in line with this clause, the rates were increased effective 01.01.2009 & subsequently effective 1st June 2010.</p> <p>Taking into account the current inflation rate & increase in input costs e.g. Diesel, Electricity, Manpower, Maintenance costs, other utilities etc, the annual escalation of 5 % is not only justified but is the bare minimum increase required to sustain this crucial operations of “Into-Plane Services”.</p> <p>We would like to emphasise the point that “Quality” & “Safety” is of paramount importance in ITP Service as this last mile connectivity entails <i>the most critical activity of fuelling the aircraft</i>. Most of the state-of- art specialized “Aviation Equipments” are imported from abroad with very limited supply source, long procurement time & requires precision handling/ maintenance. Similarly the ITP staffs are required to be constantly trained & updated on the latest work practices as</p>	<p>After extensive stakeholder consultation process, the Authority has decided to adopt a light touch approach for determination of tariff in the cases where:</p> <p>(a)Service is deemed to be non material (b)Service is deemed to be material but competitive (c)Service is deemed to be material and non competitive but the Authority is assured of the reasonableness of the user agreements.</p> <p>In the present case, the service is deemed material and competitive. Therefore, unless evidence is made available, which would require further analysis/review of the tariff proposal, the tariff proposed by the service provider would normally be approved.</p>



Tabulated Statement showing Comments of Stakeholders received in response to the Consultation Paper No.10/2011-12 dated 22.06.2011 on the MYTP submitted by M/s BSSPL for ITP Service fee at Bangalore International Airport, Bengaluru.

Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
			<p>per international standards. This crucial aspect cannot be compromised due to financial constraints & the annual increase of 5 % sought in our MYTP submission is the "BARE MINIMUM" keeping in mind the inflation / WPI trends & forecast.</p> <p>The cost structure & expenditures of ITP Service is not directly proportional to fuel volumes but has many other complexities in terms of operational requirement for timely service. This service in terms of cost structure & expenditure is more dependent on number of operations, number of flights on ground requiring ITP Services simultaneously during the same time period, short sector flights not uplifting fuel after being approached (<i>Sometimes , small sector flights at Bangalore Airport do not uplift fuel on approach due to tankering or load factor. It will be appreciated that even though no uplift is made resulting in nil revenues to ITP Agents yet the expenses are incurred in terms of manpower & operational cost)</i></p> <p>It will be pertinent to mention here that at international aviation forum, "Technical" members are always actively canvassing with their</p>	



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			<p>“Commercial” counterparts that “Cost Cutting” should not lead to compromising on “Safety/Quality” standards for aircraft servicing as it is seriously detrimental to airlines interest.</p> <p>The “ITP Service” Charges “Agency Fees” are very reasonable as per cost structure & capital expenditures when compared to international rates.</p>	
	2	<p>The tariff was arrived on the basis of tender by BIAL, however, HPCL were not privy to the process of fixation and revision of the charge. The charge can be validated by an independent agency for its aptness.</p>	<p>The Into-Plane Service Fee has been derived through a competitive bidding process & many suppliers being interested bidders were privy to the entire process. The suppliers having executed various agreements with “Airport Operator/Fuel Farm Operator & Into-Plane Agents” (<i>after due consultation & discussions</i>) were already making regular payments to Fuel Farm Operator & Into-Plane Agents at applicable rates wef June 10 after having recovered the same from airlines in their pricing structure. Hence the suggestion of validation by an independent agency has no merit, more so in the current context of establishment of an aviation regulatory body – AERA which is fully equipped to provide guidance & direction in</p>	<p>Refer comments at Sl.No. 1 above.</p>



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			aviation sector.	
	3	As the Agency fee is a pass through item for the Suppliers, i.e. the fee is recovered from the Customers and passed on to the Service Provider (ITP); it would be difficult for us to recover these charges from the customers in the event they are made applicable on retrospective basis. In view of above, it is requested that any upward revision in Charge, as approved by AERA should be made from the prospective date only.	The contention that revision should be made from prospective date is not appropriate since the "Suppliers" at Bangalore Airport were making payments at the rate of Rs 210 per KL effective 1 st June 2010. Based on the ongoing evaluation by AERA & applicable guidelines, BSSPL took the proactive step of reverting back to old rate of Rs 200 per KL till the final approval for Rs 210 per KL. Hence the rate effective 1 st June 10 with 5 % escalation was known to the suppliers & this increase of Rs 10 per KL can always be recovered (if already not done) in their pricing mechanism thru debit notes.	BSSPL have been rendering services since 01.06.2010 without receiving the payment i.e. the 5% upward revision in charges. This has happened as BSSPL did not seek the approval of this Authority in respect of the enhanced tariff, as required under S.13 (1) (a) of the AERA Act, 2008. However, it is understood that the Oil Companies were paying the enhanced fee w.e.f. 1.6.2010 before this Authority's intervention in the matter. Therefore, on balance, the request of BSSPL is found to be acceptable.
Bharat Petroleum Corporation Ltd	4	At Bangalore International Airport, two service providers are providing ITP services and both are charging the same tariff. Therefore, in effect there is no competition between the ITP service providers.	The contention that charging same tariff implies nil competition is not correct as the current ITP fee is already at an optimal level & the two "Into-Plane" Service providers at Bangalore are in competition in terms of providing quality ITP services & usage of equipments as per international benchmarks based on which suppliers have the freedom to choose "ITP Service" provider.	The Authority is of the opinion that price alone is not the sole criteria indicative of competition or otherwise. Quality of service is equally important and the users have a clear choice on this count itself.
	5	The ITP charges with provision of 5% annual escalation was unilaterally fixed by the Airport	Taking into account the current inflation rate & increase in input costs	Refer comments at Sl.No. 1 and 4 above.



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
		operator without taking any inputs/consultations with users. BPCL would like AERA to look into the basis of the ITP charges and also the escalation factor as the business operation at Bangalore airport have been growing every year.	<p>e.g. Diesel, Electricity, Manpower, Maintenance costs, other utilities etc, the annual escalation of 5 % is not only justified but is the bare minimum increase required to sustain this crucial operations of "Into-Plane Services".</p> <p>The Into-Plane Service Fee has been derived through a competitive bidding process & many suppliers being interested bidders were privy to the entire process. The suppliers having executed various agreements with "Airport Operator/Fuel Farm Operator & Into-Plane Agents" (<i>after due consultation & discussions</i>) were already making regular payments to Fuel Farm Operator & Into-Plane Agents at applicable rates wef June 10 after having recovered the same from airlines in their pricing structure. Hence the suggestion of validation by an independent agency has no merit, more so in the current context of establishment of an aviation regulatory body – AERA which is fully equipped to provide guidance & direction in aviation sector.</p>	
	6	It is seen that BSSPL for the period 01.06.2010 to 31.05.2011 has indicated higher rate of tariff. The tariff pertaining to past period if approved by AERA, would result in additional expenditure for fuel suppliers without any scope to recover the same from their	Taking into account the current inflation rate & increase in input costs e.g. Diesel , Electricity , Manpower , Maintenance costs , other utilities etc , the annual escalation of 5 % is not only justified but is the bare minimum	Refer comments at Sl.No. 3 above.



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
		<p>customers. BPCL has requested AERA to look into the basis of fixing ITP charges, escalation formula and competition it creates among the ITP service providers. Till the ITP tariff is finalised, BPCL has requested for permission to pay ITP charges that are currently being charged and whenever AERA approves the ITP charges it may please be approved on prospective basis and not with retrospective date.</p>	<p>increase required to sustain this crucial operations of "Into-Plane Services". The contention that revision should be made from prospective date is not appropriate since the "Suppliers" at Bangalore Airport were making payments at the rate of Rs 210 per KL effective 1st June 2010. Based on the ongoing evaluation by AERA & applicable guidelines, BSSPL took the proactive step of reverting back to old rate of Rs 200 per KL till the final approval for Rs 210 per KL. Hence the rate effective 1st June 10 with 5 % escalation was known to the suppliers & this increase of Rs 10 per KL can always be recovered (if already not done) in their pricing mechanism thru debit notes.</p>	
<p>Indian Oil Corporation Ltd</p>	<p>7</p>	<p>(i) ITP charges for various fuelling/ defueling services for the period 01.06.2010 to 31.03.2011 have been arrived at after escalating the earlier charges by 5%. For the period 01.04.2011 to 31.05.2011, same charges have been continued. However since the charges were not approved by AERA at that time, IOCL had not considered the escalated rates for recovery. (ii) Vide their letter ref. AV/RS/AERA dated 23.03.2011 IOCL had requested AERA that approval of tariffs/rates/including fuel throughput charges for the first control period may please be finalised at the earliest possible</p>	<p>The contention that revision should be made from prospective date is not appropriate since the "Suppliers" at Bangalore Airport were making payments at the rate of Rs 210 per KL effective 1st June 2010. Based on the ongoing evaluation by AERA & applicable guidelines, BSSPL took the proactive step of reverting back to old rate of Rs 200 per KL till the final approval for Rs 210 per KL. Hence the rate effective 1st June 10 with 5 % escalation was known to the suppliers & this increase of Rs 10 per KL can</p>	<p>Refer comments at Sl.No. 3 above.</p>



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
		and revisions if any, may be made from prospective date. This is important as these charges, which are pass through item for the Suppliers, can be recovered from the customers only on prospective basis. (iv) IOCL has suggested that AERA may approve the ITP rates prevalent on 1.09.2009, in line with AERA order no. 17/2010-11, for the period till 31.03.2011.	always be recovered (if already not done) in their pricing mechanism thru debit notes.	
International Air Transport Association	8	LATA has submitted that they are against an increase in ITP fee at Bangalore International Airport applied for by BSSPL for the following reasons: (i) The into-plane service market at Bengaluru Airport may have two entities operating but it cannot be deemed to be competitive if these two entities have the same fee structure and even apply for the same percentage increase. The absence of price variation between the entities suggests that a duopolistic market exists.	The contention that "it cannot be deemed to be competitive if the two entities have the same fee structure" is not valid as the current ITP fee is already at an optimal level & the two "Into-Plane" Service providers at Bangalore are in competition in terms of providing quality ITP services & refueling equipments as per international benchmarks based on which suppliers have the freedom to choose "ITP Service" provider. There are many airports on global basis where two service providers are providing the services on competitive basis.	Refer comments at Sl. No. 1 above.
	9	(ii) Based on information available in the Consultation Paper, BSSPL has not provided convincing justification that an increase is warranted. BSSPL's projected volume for 2011-12 is 12% lower than the volume in 2010-11. It is even lower than the volume in 2009-10 by 8.9% even though 2009-10 volume would have been subdued because of the severe industry downturn at that time. This is	The volume projection made by BSSPL for Bangalore Airport has been done on facts n figures as per the current local market conditions. It will be prudent to mention here that there is no linear correlation in terms of volume projection on an ITP Agent when compared to the total growth in volumes at an airport since the volume	Refer comments at Sl. No. 1 and 4 above.



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
		<p>difficult to reconcile. A more realistic volume projection (one that is in line with projected traffic growth for India) would reveal that the current into-plane rate of 200 Rs/KL is already on the high side.</p>	<p>of an ITP Agent is also dependent in the "shift of customer base" of the suppliers it is servicing. Hence due to any reasons if there is any migration of airlines customers from one supplier to another it has a direct impact on the ITP Agent wherein the volumes get reduced. Hence the assumption that volume of 2011-12 should always be higher than 2010-11 or 2009-10 is highly misplaced. The volume projection is totally realistic in line with the current market situation. We sincerely hope that given the fact that the actual volume of BSSPL for the quarter April 11- June 11 was 27647 KL which if pro-rated translates into a projected volume of 110588 KL for FY 11-12 (is in sync with our projections in AERA submission) will further help IATA in reconciling the fact that our projections are realistic.</p>	
	10	<p>(iii) The current rate of 200 Rs/KL is 28% higher than the fee recently approved by AERA for into-plane service fee (applicable from 01.04.2011 – 31.03.2012) at Indira Gandhi International Airport (IGIA). The rate at IGIA is already higher than what is charged at many of the major international airports in the region. There is room to reduce the current rate of 210 Rs/KL at Bangalore International Airport by 30-40% to be in line with regional norms.</p>	<p>It is fact that the ITP Service fee at Bangalore is higher than ITP Service fee at Indira Gandhi International Airport (IGIA) & there are sound commercial reasons for the same as the ATF volume at Delhi Airport is approximately 4 times the ATF volume at Bangalore International Airport. Accordingly in line with high volumes at Delhi Airport & many other business factors unique to Delhi Airport / Bangalore Airport like expanse of operational area where</p>	<p>Refer comments at Sl. No. 1 and 4 above.</p>



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
			<p>ITP services are required , local logistical costs , operational & manpower costs etc the ITP fees at Delhi Airport is bound to be lower than Bangalore Airport. Hence the contention that there is a room to reduce the current rate of 200 Rs/KL at BLR by 30-40 % to be in line with regional norms is completely misplaced.</p> <p>The ITP fee at IGIA & Bangalore Airport is very competitive when compared to international benchmarks. It will be pertinent to mention the rate of ITP fee is dependent on host of factors like total ATF volume at an airport, no of flights requiring simultaneous refueling during peak hours, local ATF supply chain, pricing mechanism & hence any generic comments on ITP fee issue may not serve the purpose.</p> <p>We sincerely hope that the concept of “Fair Rate of Return” for an enterprise taking the business risks is well endorsed & supported by IATA. BSSPL has invested in state of art refueling equipments from abroad with long term business objectives & at the current rate for which approval is being sought from AERA it will be very difficult to even achieve the fair rate of return. Our</p>	



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			<p>submission to AERA as per format no-14A where in the yield per unit works out to be Rs 295.08 per KL further justifies this point.</p> <p>The ITP business model varies at different airports. At Bangalore Airport we have tried to keep the same in a simple format where we do not charge any hookup fees even if there is no uplift of fuel on approaching the aircraft due to tankering or load factor. Thus on many occasions our ITP personnel return back without delivering any fuel to the aircraft resulting in nil earning for that particular operation although manpower & operational cost is incurred. Similarly we do not factor detention/special charges in case the refueling equipment / manpower are detained back beyond normal time required for refueling.</p> <p>Taking into account the current inflation rate & increase in input costs e.g. Diesel , Electricity , Manpower , Maintenance costs , other utilities etc , the annual escalation of 5 % is not only justified but is the bare minimum increase required to sustain this crucial operations of "Into-Plane Services".</p> <p>We would like to emphasis the point that "Quality" & "Safety" is of</p>	



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Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
			<p>paramount importance in ITP Service as this last mile connectivity entails <i>the most critical activity of fuelling the aircraft.</i></p> <p>Most of the state-of- art specialized “Aviation Equipments” are imported from abroad with very limited supply source , long procurement time & requires precision handling / maintenance. Similarly the ITP staffs are required to be constantly trained & updated on the latest work practices as per international standards. This crucial aspect cannot be compromised due to financial constraints & the annual increase of 5 % sought in our MYTP submission is the “BARE MINIMUM” keeping in mind the inflation / WPI trends & forecast.</p> <p>It will be pertinent to mention here that at international aviation forum, “Technical” members are always actively canvassing with their “Commercial” counterparts that “Cost Cutting” should not lead to compromising on “Safety/Quality” standards for aircraft servicing as it is seriously detrimental to airlines interest.</p> <p>Prior to the segmentation of ATF Value Chain in India starting from Greenfield Airports at Bangalore & Hyderabad, the</p>	



Tabulated Statement showing Comments of Stakeholders received in response to the Consultation Paper No.10/2011-12 dated 22.06.2011 on the MYTP submitted by M/s BSSPL for ITP Service fee at Bangalore International Airport, Bengaluru.

Stakeholder	Sl No	Comments by the Stakeholder	Response by Service provider	Remarks of the Authority
			ITP Service cost was embedded in the ATF fuel price of the supplier. Now after the segmentation , the ITP Agents as independent service provider have brought in the equipments & operational practices at par with international benchmarks thus bringing in overall efficiency at very reasonable rates	
	11	(iv) Firms operating in a truly competitive environment cannot expect fees to go up every year. This is particularly so in growing market where the number of market players remains constant (such as at Bengaluru Airport where the number of into-plane service providers remains at two while the market volume continues to grow). It is totally within reason to expect fees to drop over time because of improving economies of scale and greater cost efficiency and productivity. Fee increases must not be premised solely on the simple criterion of rising inflation. Supporting an increase on such a weak basis and nothing else would take away the incentive for firms to strive for better cost efficiency and productivity and would add unnecessary cost burden on the industry.	IATA's point that "it is totally within reason to expect fees drop over time because of improving economies of scale & greater cost efficiency & productivity" does not hold good in the current context since the current ITP fee already is at a very optimal level & with increasing input costs in terms of equipment procurement, repair & maintenance, manpower & utilities etc the ITP fee ought to have some reasonable increase to ensure "Fair Rate of Return" to the entities taking the business risk.	Refer comments at Sl. No. 1 and 4 above.

