

Airports Economic Regulatory Authority of India

Order No. 20/2013-14

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi -110 0 03**

Date of Order: 24th May, 2013

Date of Issue: 28th June, 2013

In the matter of Determination of Annual Tariff for Into Plane Services at Bangalore International Airport, Bengaluru provided by M/s Bharat Stars Services private Limited for the third, fourth and fifth tariff year (2013-14, 2014-15 and 2015-16) of the first control period.

The Authority had considered the Multi-Year Tariff Proposal submitted by M/s Bharat Stars Services Private Limited (BSSPL) for provision of Into Plane Services (ITP) at Bangalore International Airport, Bengaluru (BIA) and after due stakeholder consultation, issued Multi-Year Tariff Order (MYTO) No. 20/2011-12 dated 25.10.2011 wherein the Authority decided to adopt 'light touch approach' for determination of tariff for the first Control Period. Thereafter, the Authority issued Order No. 26/2012-13 dated 29.10.2012, determining Annual Tariffs for the first and second tariff year of the first control period.

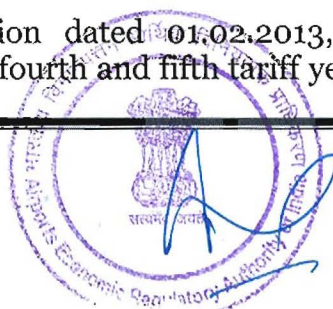
2.1 The orders issued by the Authority were subject to the Order dated 19.10.2011 of the Hon'ble AERA Appellate Tribunal wherein, with reference to Appeal No. 12 of 2011 filed by Bangalore International Airport Ltd. (BIAL), the Tribunal had ordered that:

"It is made clear the 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 the Appellate Tribunal".

2.2 This appeal No. 12/2011, filed by BIAL, has been disposed off vide Order dated 03.05.2013 (amended vide order dated 10.05.2013), wherein Hon'ble Tribunal ordered that:

".....We had by our order dated 19th October, 2011, directed that the tariff so decided in case of the three services mentioned in the earlier paragraph would not be implemented unless the leave is obtained from this Tribunal. In view of the disposal of this appeal, those orders would stand 'withdrawn' and in the result the implementation of tariff may now commence."

3. BSSPL, vide application dated 01.02.2013, submitted their Annual Tariff Proposal (ATP) for the third, fourth and fifth tariff year for consideration and approval



of ITP charges. BSSPL also submitted that there is an increase of 5% in the ITP tariffs, which is in line with prevailing trend and concession agreement with the airport operator.

4.1 The Authority considered the proposal submitted by BSSPL and issued Consultation Paper No. 47/2012-13 on 20.03.2013 for stakeholder consultation.

4.2 In response to the above Consultation Paper, the following three stakeholders submitted their comments on the proposal contained therein;

- (1) Shell MRPL Aviation Fuels and Services Ltd.
- (2) Bharat Petroleum Corporation Ltd. and
- (3) Hindustan Petroleum Corporation Ltd.

4.3 M/s Shell MRPL Aviation Fuels and Services Ltd. vide its letter no. Nil dated 03/04/2013 stated that

- (i) *"It will be very difficult for any fuel supplier to collect ITP charges with retrospective effect as these are back to back charges collected from Airline customers. Hence it is requested that sufficient time is given to fuel suppliers (at least 60 days) for these new rates to come into effect for making necessary arrangements with airlines for collection of ITP charges.*
- (ii) *As volumes at Bangalore Airport are likely to increase, this would give a benefit to the ITP service provider in terms of better utilization of resources and therefore economies of scale will come in. It is requested that a suitable formula be incorporated which may take this into consideration and also this may be monitored by AERA from time to time based on documentation to be submitted by ITP provider.*
- (iii) *It may also be incorporated suitably in the order that if there is any delay of intimation to the fuel supplier by ITP service provider for increased charges for any reasons whatsoever, then such charges shall not be payable by the fuel supplier on behalf of the airlines as they cannot be collected from the airlines customers".*

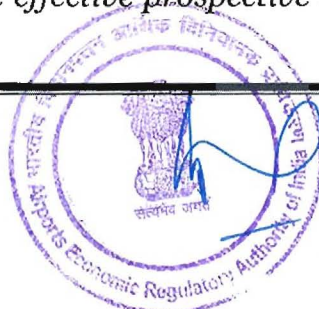
4.4 M/s Bharat Petroleum Corporation Ltd. vide its letter no. AV.HO.AERA dated 2nd April, 2013 stated that

"...the tariff plan submitted by ITP service providers at Delhi airport T-III as given in Consultation Papers no. 47 & 48/2012-13 is acceptable to us".

The Consultation Paper No. 47 and 48 pertains to Bangalore Airport. It appears that the stakeholder has inadvertently mentioned BIAL as Delhi Airport.

4.5 M/s Hindustan Petroleum Corporation Limited vide its letter no. AVN: AERA: HQO dated 3.04.2013 stated that

- (i) *For ITP charges for the third tariff year(2013-14), the revision may please be made effective prospective basis, applicable from the first day*



of the subsequent month, in which AERA issue order so that we do not suffer financial loss.

- (ii) *ITP charges for the fourth (2014-15) & fifth (2015-16) tariff period may be revised as proposed on prospective basis."*

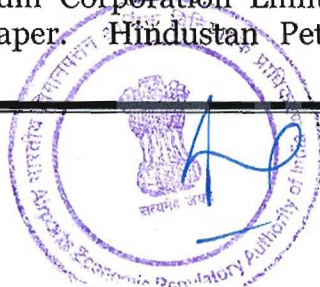
5 The comments of Shell MRPL were forwarded to BSSPL for its responses.

BSSPL vide its letter dated April 25, 2013 has submitted as under:

- (i) *"We would like to bring to your notice that we had notified the concerned suppliers about this proposal prior to submission of our ATP. In case of Shell MRPL, this information was provided to them vide out letter BSSPL/HO/ITP/11-12/03 dated 30.01.13.*
- (ii) *The fact, which we have been consistently reiterating time and again, remains that this increase in cost is the bare minimum to sustain smooth and safe operations in the prevailing economic scenario. Thus taking into account the current inflation rate and increase in input costs e.g. Diesel, Electricity, Manpower, Rentals etc., the annual escalation of 5% is not only justified but is also the bare minimum increase required to sustain this crucial operations of Into-Plane Services.*
- (iii) *ITP Volumes are not directly proportional to increase in aircraft movements. There can be numerous occasions when despite the increase in number of aircrafts being refuelled, ITP volumes would have not increased correspondingly due to addition of short sector flights operated by small aircrafts with very little or nil uplift. Similarly the cost structure/expenditure of ITP services are not directly proportional to fuel volumes but have 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 and short sector flights uplifting negligible or nil fuel."*

6. The Authority noted the comments of the stakeholders and the response of BSSPL and observed that:

- (i). It was decided to adopt "light touch approach" for determination of tariff for ITP provided by BSSPL at BIA. Annual Tariff Orders for the first and second tariff years were issued accordingly.
- (ii). BSSPL submitted its ATP for third, fourth and fifth tariff years. BSSPL also submitted that there was an increase of 5% in the rates, which was in line with previous trend and concession agreement with the airport operator. The same increase in tariff was also maintained during the previous two tariff years.
- (iii). Bharat Petroleum Corporation Limited agreed to the proposal in the consultation paper. Hindustan Petroleum Corporation Limited also



agreed to the proposal and stated that the revision may be applicable on prospective basis.

- (iv). Regarding the issue of WPI being less than 5% in any year, BSSPL stated that the increase in the cost is bare minimum – taking into account the current inflation rate and increased input cost etc.
- (v). The ITP service at BIA is material and competitive, hence, intrusive examination of the tariff proposal may not be undertaken as the tariffs are to be determined under 'Light Touch Approach' in line with the Authority's Guidelines.
- (vi). The instant exercise of determination of tariff for ITP service currently being provided by BSSPL at BIA, is in accordance with the provisions of Guidelines [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"].
- (vii). The appeal No. 12/2011, filed by BIAL, has been disposed off by AERAAT vide order dated 03.05. 2013 (amended vide order dated 10.05.2013).

ORDER:

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

- i) The maximum Tariffs for the third tariff year (w.e.f. 01.04.2013 to 31.03.2014), fourth tariff year (w.e.f. 01.04.2014 to 31.03.2015) and fifth tariff year (w.e.f. 01.04.2015 to 31.03.2016) of the first Control Period for ITP services provided by M/s Bharat Star Services Private Limited at Bengaluru International Airport, Bengaluru, are determined to be as at **Annexure-I**.

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


**(Ravi Pahwa)
Bench Officer**

28/6/2013

To

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



Annexure I

**BHARAT STAR SERVICES PRIVATE LIMITED
Bangalore International Airport, Bengaluru**

ITP Charges for the Year 2013-14, 2014-15 and 2015-16

(Rs. /KL)

Tariff Year	Period	Fuelling of Aircraft	Defueling Aircraft		Refuelling of Defueled Product into an aircraft	
			Within 48 hrs	Beyond 48 hrs	Within 48 hrs	Beyond 48 hrs
Tariff Year 3 (2013-14)	01.04.2013-31.05.2013	231.53	231.53	277.83	254.68	277.83
	01.06.2013-31.03.2014	243.11	243.11	291.72	267.41	291.72
Tariff Year 4 (2014-15)	01.04.2014-31.05.2014	243.11	243.11	291.72	267.41	291.72
	01.06.2014-31.03.2015	255.27	255.27	306.31	280.78	291.72
Tariff Year 5 (2015-16)	01.04.2015-31.05.2015	255.27	255.27	306.31	280.78	306.31
	01.06.2015-31.03.2016	268.03	268.03	321.63	294.82	321.63

