

**Airports Economic Regulatory Authority of India**

**Order No. 13/2013-14**

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

Date of Order: 24<sup>th</sup> May, 2013

Date of Issue: 7<sup>th</sup> June, 2013

**In the matter of Annual Tariff Proposal for the third, fourth and fifth tariff year of the first control period submitted by M/s Bharat Stars Services Private Limited for providing Into Plane Services at IGI Airport, New Delhi.**

The Authority had considered the Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) for first tariff year (i.e. 2011-12) submitted by M/s Bharat Stars Services Private Limited (BSSPL) of the first control period commencing from 01.04.2011, in respect of the tariff for Into Plane Service (ITP) being provided at IGI Airport, New Delhi (Delhi Airport) and after due stakeholder consultation, had issued a Multi Year Tariff Order (MYTO) No. 2/2011-12 dated 30.05.2011 wherein the Authority decided to adopt 'light touch approach' for determination of the tariff for the first control period and also determined the tariff for ITP Service provided by BSSPL for the period w.e.f. 28.07.2011 to 31.03.2011 and from 01.04.2011 to 31.03.2012 (first tariff year). Subsequently, BSSPL submitted its ATP for second tariff year (2012-13) which was also considered by the Authority and after due stakeholder consultations, Annual Tariff Order (ATO) No. 7/2012-13 dated 19.06.2012 was issued determining the tariff for the second tariff year (2012-13).

2.1 BSSPL, vide letter dated 01.02.2013, submitted its ATP for the third, fourth and fifth tariff years of the first control period. The ATPs submitted by BSSPL were put up for stakeholder consultation vide Consultation Paper No. 41/2012-13 on 06.03.2013. In response to the proposal contained in the Consultation Paper, comments were received from:-

- (i) Delhi International Airport Private Limited (DIAL),
- (ii) Hindustan Petroleum Corporation Limited (HPCL),
- (iii) Bharat Petroleum Corporation Ltd. (BPCL),
- (iv) Indian Oil Corporation Limited (IOCL),
- (v) Shell MRPL Aviation Fuels and Services Ltd. (Shell MRPL) and
- (vi) Reliance Industries Limited (Reliance)

2.2 DIAL, HPCL and BPCL agreed to the proposal in the consultation paper and have requested for the approval of the same. HPCL in their comments requested that for third tariff year the rates may be revised w.e.f. 01.04.2013 and order to this effect be issued before 31.03.2013. HPCL, further stated that in case of any delay in issuing the order for third tariff year, the revision should be effective on prospective basis. For the tariff for fourth and fifth tariff year, HPCL stated that rates as proposed be effective on prospective basis.



2.3 IOCL in their comments, submitted that the order for tariff for third tariff year be issued before 01.04.2013 and in case it is delayed, the same may be issued on prospective basis. IOCL, also stated that the proposed 5% increase of tariff every year, the Authority had assumed a WPI of 5% or lower for all these years. In case the WPI for any subsequent year is lesser than 5%, the escalation may have to be lower than 5%.

2.4 M/s Shell MRPL in their comments, submitted that sufficient time should be given (at least 60 days) for the new tariff to come into effect. The increase should be linked to the volume and economies of scale should be considered. There should be a stipulation in the order that in case any delay in intimation to the fuel suppliers by ITP service provider for increased charges for any reason, then such charges will not be payable by fuel supplier on behalf of airlines as they cannot be collected from airlines customers.

2.5 Reliance in their comments, submitted that the escalation should be limited to 'Input Cost' and not to service fee and BSSPL should provide the break up of the input cost. Total volumes handled should also be considered by AERA. Reliance further stated that the airlines are passing through a difficult time hence the issue of escalation of service fee on yearly basis needs to be critically reviewed by AERA for a rational and transparent methodology.

3. BSSPL submitted its views/clarifications on the comments of various stakeholders (Annexure - I) wherein it, inter alia stated that

- a) The proposed ITP rates submitted to AERA for FY 2013-14, 2014-15 and 2015-16 have been duly notified to their current suppliers well in advance.
- b) The Annual Tariff Proposals are in line with prevailing agreement with "Airport Operator" at Delhi.
- c) Taking into account the current inflation rate & 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 the crucial operations of Into - Plane Services.
- d) ITP volumes are not directly proportional to increase in aircraft movements. There can be numerous occasions when despite the increase in number of aircraft being refueled, the ITP volumes would have not increase correspondingly due to addition of short sector flights operated by small aircrafts with very little or nil uplift.
- e) 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.
- f) "Quality & Safety" is of paramount importance in ITP Services, as this last mile connectivity entails the most critical activity of fueling the aircraft. Hence in order to maintain required safety/quality standards comply with ever evolving international benchmarks/guidelines, cater to increased input costs etc. an increase of 5% in ITP





Services in line with their agreement with airport operator is fully justified & bare minimum to operate a commercial organization & sustain safe operations.

4. The Authority has observed that BSSPL has sought approval for the following tariffs for the third, fourth and fifth tariff year i.e. 2013-14, 2014-15 and 2015-16 in line with the user agreement entered into with the suppliers:

Table - 1

Period	Fuelling of Aircraft	Defuelling Aircraft		All figs. in Rs. per KL	
		Within 6 hrs.	Beyond 6 hrs.	Refuelling of Product Within 6 hrs.	Defuelled Beyond 6 hrs.
01.04.2013-31.03.2014	172.48	172.48	259.31	215.32	259.31
01.04.2014-31.03.2015	181.10	181.10	272.28	226.09	272.28
01.04.2015-31.03.2016	190.16	190.16	285.89	237.39	285.89

5. The Authority further observed that:

- (i) As per MYTO, tariffs in respect of ITP Service provided by BSSPL at Delhi Airport are to be determined under light touch approach and tariffs for two years were determined accordingly.
- (ii) DIAL, BPCL and HPCL have agreed to the Authority's proposal in the consultation paper and have requested for approval of the same.
- (iii) Regarding effective date of increase (prospective or retrospective), BSSPL has mentioned that the proposed rates for third, fourth and fifth tariff years, have already been notified to their current suppliers well in advance.
- (iv) Regarding the issue of WPI being less than 5% in any further year, BSSPL has submitted that 5% increase is justified and bare minimum taking into account the current inflation rates and increase in input costs to sustain crucial operation of Into- Plane Services.
- (v) Regarding the issue of examination pricing, volumes etc. in respect of tariff determination, for ITP services provided by BSSPL it is noted that the ITP Service is not only material but competitive at Delhi Airport. Hence applying "Light Touch Approach" would be in line with the Authority's Guidelines and does not require an intrusive determination of tariffs.
- (vi) It was further observed that the escalation proposed is in line with the various agreements entered into by BSSPL with the airport operator and its fuel suppliers.



**ORDER:**

6. 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) The Tariffs for 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 (01.04.2015 to 31.03.2016) of the first control period in respect of the Into Plane services rendered at IGI Airport, New Delhi, by Bharat Stars Services Private Limited, are determined at the rates as at Table 1 of the Para 4 above.

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

  
[Capt. Kapil Chaudhary (Retd.)]  
Secretary

**To**

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

