

Airports Economic Regulatory Authority Of India

Order No.2/2011-12

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

Date of Order: 26th May, 2011

Date of Issue: 30th May, 2011

In the matter of Multi Year Tariff Proposal submitted by Bharat Stars Services Private Limited for Into Plane Service Fee At IGI Airport, New Delhi for the 1st Control period commencing 01.04.2011

M/s.Bharat Stars Services Private Limited (BSSPL), have vide their application dated 10.03.2011, 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 IGI Airport, New Delhi.

2. Briefly the facts of the case are as under:-

- (i) BSSPL have sought approval for the tariff for ITP services for the first control period (period of 5 years commencing 01.04.2011) based on a "light touch approach" as specified 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).
- (ii) As stipulated in 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), 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 percentage share fuel off take at IGI Airport is 31.97% (2009-10 data). Since the materiality index is more than 5% the service is deemed as "material", in terms of Clause 4.2 of the Guidelines.



- (iii) The Guidelines 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” (Clause 5.1 of the Guidelines refers) . 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.
- (iv) BSSPL have stated that the ITP service fees was arrived by the Airport Operator i.e., Delhi International Airport Limited (DIAL) through a competitive bidding process wherein two parties including BSSPL and Indian Oil Skytanking Limited (IOSL) were selected. Since the service is provided by two or more Service Provider(s), the service is deemed to be “competitive”.
- (v) In addition, BSSPL have submitted copies of agreements entered into with users (Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited). BSSPL have also submitted a copy of the ITP Concession Agreement with DIAL, Form A – Submission of MYTP along with the requisite financial details and Annexure.
- (vi) BSSPL had submitted that their operation commenced from 28.07.2010 and in line with the long term agreements with the fuel suppliers and DIAL the following ITP service fee is applicable during the FY.2010-11 which are subject to revision on an annual basis:

ITP Service Fee (In Rs /Kilolitre)				
Fuelling Aircraft	Defuelling Aircraft		Re-fuelling Product into an Aircraft	De-fuelled into an Aircraft
	Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
149	149	224	186	224

BSSPL had submitted that without the timely receipt of the ITP service fees as above in the FY 2010-11 it is very difficult to sustain the normal operations in the long run having serious impact on their financial liquidity for discharging business responsibilities.

- (vii) However, in their submission BSSPL have stated that their submission including the “Agreements”, Financials and Other Business details is confidential in nature and requested that the same is not put in public domain to ensure that their business interests are protected and confidentiality is maintained.



- (viii) BSSPL, vide their application ref: HO.BSSPL.AERA dated 11.04.2011, had also filed a separate application for approval of their ITP charges for the period 28.07.2010 to 31.03.2011. In this case too BSSPL had submitted that the annual tariff proposal including the "Agreements", Financials and Other Business details is confidential in nature and have requested that the same is not put in public domain to ensure that their business interests are protected and confidentiality is maintained. However, vide their additional submission dated 18.04.2011, BSSPL enclosed a list of documents that may be utilised for the consultation process as deemed fit.
- (ix) The Authority noted that DIAL had appointed BSSPL and IOSL to undertake ITP services consisting of fuelling of aircraft, refueling of aircraft and refueling of defueled product into the aircraft. DIAL, without previous approval of the Authority directed these ITP service providers to charge the new fee with effect from 28.07.2010. No proposal was received from the into plane service providers, at that time, for any approval/ fixation of these charges.
- (x) The Authority considered the issue in its Nineteenth Meeting (No.13/2010-11) held on 23.09.2010 wherein it was decided that DIAL and the ITP service providers should be immediately apprised of the legal position and requested the service providers to submit their comments and explanation in the matter within a period of 10 days failing which coercive action may have to be contemplated. The Authority vide its letter dated 13.10.2010 to DIAL, and the ITP service providers apprised of the legal position and requested their comments and explanation by 23.10.2010. In response the ITP Service providers confirmed that they would not be charging any fee without determination of tariff by the Authority.
- (xi) BSSPL, vide their letter Ref HO.BSSPL.AERA dated 15.12.2010 furnished details in accordance with the Authority's Consultation Paper No. 05/2010-11 dated 02.08.2010 and requested the Authority to approve the proposal on an urgent basis.
- (xii) In the meantime, Authority finalized its regulatory philosophy and economic regulation in the matter of services provided for cargo facility, ground handling and supply of fuel to aircraft by Independent Service Providers (ISP) at the major airports. The Guidelines on tariff determination for ISP for the subject services were issued on 10.01.2011. Hence BSSPL was requested to resubmit their proposal in terms of the Authority's published Guidelines vide letter dated 12.01.2011.
- (xiii) As stated hereinabove, the Authority noted the that the instant MYTP has been made by BSSPL on the basis 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.



- (xiv) It is observed that the price that BSSPL is entitled to charge from the Users for the first year have been fixed as under:

Price (For the year 2010-11) w.e.f 28.07.2010 to 31.03.2011				
Fuelling Aircraft	Defuelling Aircraft		Re-fuelling De-fuelled Product into an Aircraft	
	Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
149	149	224	186	224

Clause 2.4 pertaining to the "Fee Chargeable by the Concessionaire" of the ITP Concession Agreement (with DIAL) furnished by BSSPL is reproduced as under:

2.4.1 The Concessionaire shall charge the Air Carriers or the Suppliers the ITP Service Fee for each litre of ATF that is provided as part of the ITP Service provided. The ITP Service Fee shall be subject to a price cap in Rs./kilo litre terms and shall be charged as per Schedule H hereto.

The price cap for the first Financial Year of operations (in Rs./kilo litre) will be set out in Schedule H, and the same shall be escalated at a rate of 5% or WPI each year whichever is lower. The price cap for each of the subsequent years will be

- (a) *Effective from the 1st day of April of the following year and*
- (b) *Escalated by WPI as on the first day of January for the respective year.*

The Concession agreement also provides that *"..the WPI for all commodities announced by GOI will be considered."* and that *"..The price cap so prescribed shall be maximum rates and Selected Tenderer/Concessionaire will be free to offer a discount on these rates to the Air Carriers or the Supplier."*

The ITP Concession Agreement (with DIAL) also provides that *"...DIAL may review the escalation cap in case the input cost goes beyond 5%."*

As per Schedule B of the agreement with the Users, the Agency Fee, i.e., the ITP service fee, payable by Suppliers/ Air Carriers to the ITP Agent reflect the charges mentioned above. The User agreements mention that the agency fee shall be subject to revision by the ITP Agent in accordance with the limits set by DIAL from time to time.

- (xv) BSSPL have arrived at a tariff of Rs.155.91/KL for the interim period (2010-11) and Rs.197.66/KL for the period 2011-12 (27% increase). However, approval has been solicited for Rs.156.45 as per the ITP Concession Agreement (with DIAL).
- (xvi) The Authority had vide its Order No.17/2010-11 dated 31.03.2011, while extending the timeline for submission of MYTP by the ISP(s) upto 30.4.2011 had 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 the Authority thereafter with effect from 01.4.2011 and upto 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 ISP(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.

- (xvii) The Authority also noted that in the above referred Order that BSSPL had submitted the MYTP for ITP services provided by them in respect of Delhi airport as per the timelines prescribed in the Guidelines and that BSSPL had started rendering ITP services w.e.f 28.07.2010 and the charges thereof have not been determined by this Authority. Therefore, presently, BSSPL are not charging any fee in respect of service provided by them at IGIA, Delhi. As such the Authority felt that the proposals submitted by BSSPL in respect of ITP services at IGI Airport, New Delhi be immediately taken up for examination.
- (xviii) It is also to be observed that in terms of Clause 7.3 and 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 Annual Tariff Proposal (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 submitted the rates for approval for the year 2011-12, i.e., the first tariff year of the first control period which are supported by the User Agreements.

3. In the 36th meeting held on 19.04.2011, the Authority considered the matter in detail and tentatively decided as under:
- (i) The ITP service provided by BSSPL at IGI Airport, New Delhi is 'material' and 'competitive'. Therefore, in accordance with the clause 3.2 of the Guidelines, a "Light Touch Approach" may be adopted for determination of tariff in the first control period w.e.f. 1.4.2011.
 - (ii) Since the BSSPL is being kept under a "Light Touch Approach" in the first control period, the tariff for the period immediately preceding the first control period, i.e., 28.7.2010 to 31.3.2011 may also be proposed for approval in line with the light touch approach.
 - (iii) BSSPL's request to ensure confidentiality of their financials as well as client confidentiality may be accepted. Therefore, while placing MYTP etc. for stakeholders consultation relevant information should be redacted.



(iv) As per clause 7.3 and 7.4 of the Guidelines the Authority shall upon due consideration of the MYTP and stakeholders consultation shall make MYTO for a control period. After issuance of MYTO the service provider shall submit its annual tariff proposals. However, in the present case the service provider has submitted the ATP for the first tariff year 2011-12 along with MYTP itself. It was observed that, presently, there is no approved tariff in respect of BSSPL for ITP services at IGI airport and BSSPL has been rendering these services since 28.7.2010 without receiving any fee. Therefore, if a strict compliance with Guidelines is insisted upon, the matter of approval of tariff would get postponed further which would not be in the interest of economic and viable operation of the service provider. In this light, the Authority, as a special case, decided to propose approval of the ATP for the tariff year 2011-12 for stakeholders consultation at the MYTP stage itself.

(v) A Consultation Paper on the above lines may be issued immediately with a consultation period of two weeks.

4. A Consultation Paper (No.03/2011-12) was, accordingly, issued on 28.04.2011 soliciting comments/ views of the stakeholders by 12.05.2011.

5.1 Comments have been received from the following stakeholders :

- (i) Delhi International Airport (P) Limited (DIAL)
- (ii) Hindustan Petroleum Corporation Limited (HPCL)
- (iii) Indian Oil Corporation Limited (IOCL)
- (iv) Reliance Industries Limited (RIL)
- (v) International Air Transport Association
- (vi) Bharat Petroleum Corporation Limited (BPCL)

The comments received from the stakeholders were forwarded to BSSPL seeking their views on the issues raised by the stakeholders. BSSPL have vide their letter dated 20.05.2011 submitted their comments on the issues raised by the stakeholders. The comments of the stakeholder and clarification furnished by BSSPL have been examined by the Authority in its 39th Meeting held on 26.05.2011. A table indicating the stakeholder comments, comments furnished by the BSSPL and vies of the Authority thereon is at **Annexure –I**.

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

5.3 The ITP rates sought for approval by BSSPL, on the basis of User Agreement, are as under:

Period	Fuelling Aircraft	Defuelling Aircraft		Re-fuelling De-fuelled Product into an Aircraft	
		Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
28.07.2010 to 31.03.2011	149	149	224	186	224
01.04.2011 to 31.03.2012	156.45	156.45	235.20	195.30	235.20



5.4 Upon careful consideration of material available on record, submissions made by the stakeholders and submissions made by the BSSPL, the Authority, in its 39th meeting held on 26.05.2011 approved the proposal made by BSSPL.

ORDER:

In exercise of powers conferred by Section 13(1)(a) of the Act, the Authority hereby approves that Bharat Stars Services Private Limited, the Into Plane Service provider at IGI Airport, New Delhi may be regulated under 'light touch' approach during the first control period of 5 years commencing 01.04.2011 and the tariff for the ITP services provided by BSSPL at IGI Airport, New Delhi for the period 28.07.2010 to 31.03.2011 and for the first tariff year 2011-12 is determined, as indicated in para 5.3 above.

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


**(Sandeep Prakash)
Secretary**

To,

**Bharat Stars Services (P) Limited,
Corporate Office, 4th Floor,
Plot A-5 & 6, Sector 1,
Noida - 201 301
(Through Shri. Vijay Ranjan, CEO)**



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Annexure - I

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
Delhi International Airport Limited	1	Agree to the proposal for regulating the services of BSSPL at terminal T-3, IGI Airport Delhi, under light touch approach during the first control period.	----	----
	2	The tariff proposed by BSSPL is in line with the ITP concession and since BSSPL has not been able to realize any revenue since 28.07.2010 the charges proposed may kindly be approved.	----	----
Hindustan Petroleum Corporation Limited	3	No objection in considering BSSPL's ITP services under light touch approach, as their services at IGI Airport, New Delhi falls under 'material' but 'competitive' category, as defined by AERA.	----	----
	4	The Tariff proposed by BSSPL for the period 28.7.2010 and 31.3.2011 is in line with the Agreement signed with the Fuel Supplier. HPCL were informed that the tariff was arrived on the basis of tender by DIAL, however, HPCL not privy to the process of fixation of the charge. The	HPCL, BPCL & IOCL who are the existing "Suppliers" at Delhi Airport have confirmed about the "Rate" which is in line with the "Agreement" signed by ITP Concessionaires with Fuel Suppliers & they are in agreement with the ITP services being regulated under Light Touch Approach.	After extensive stakeholder consultation process, the Authority has decided to adopt a light touch approach for determination of tariff in the cases where : (a) Service is deemed to be non material



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Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
		charge can be validated by an independent agency for its aptness.		<p>(b) Service is deemed to be material but competitive</p> <p>(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>
	5	Revision of the rate should be the function of the cost and the volume of business available at the airport. Any increase in the charges should be considered keeping these factors into consideration rather than accepting fixed yearly increase.	The 'TTP Service' Charges 'Agency Fees' which is based on competitive bid are very reasonable as per cost structure & capital expenditures. The approval of the rates should be as per our MYTP submission i.e. Tariff rates for the period 28.07.2010 to 31.03.2011 and 01.04.2011 to 31.03.2012".	Refer comments at Sl No.4 above .



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
	6	As the Agency fee is a pass through item for the Suppliers, it would be difficult for Suppliers 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 if any upward revision in Charge is proposed for the First Control Period/ tariff year 2011-12, it should be made and applicable from the prospective date only.	Ref reply furnished at Sl No.5	In view of the fact that BSSPL have been rendering services since 28.07.2010 without receiving payment, the submission of BSSPL appears acceptable.
Indian Oil Corporation	7	The tariff proposed by BSSPL for the period 28.7.2010 and 31.3.2011 is in line with the agreement signed with the Fuel Supplier.	----	----
	8	Continuation of the above ITP rates beyond 31.03.2011 till the last day of the month in which AERA issues the order.	Refer Reply at Sl. No. 5	Refer comments at Sl. 6 above.
	9	The ITP rates as mentioned for the first control period (2011-12) may be made effective on prospective basis, from the first day of the subsequent month, in which AERA issues the order.	Refer Reply at Sl. No. 5	Refer comments at Sl. 6 above.



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
Reliance	10	The consultation process followed by BSSPL with Suppliers was only with regard to terms of agreement for Into Plane services. In the consultation meetings, there was no discussion on the methodology for determining the tariff being charged by the Into Plane service provider. Hence the consultation process is not complete.	<p>The ITP Service Charges 'Agency Fees' which is based on competitive bid are very reasonable as per cost structure & capital expenditures.</p> <p>The ITP Service Fee which is very reasonable was derived from competitive bid & accordingly the consultation process was carried out which eventually culminated into signing of "ITP Agreements" with all existing suppliers at Delhi Airport. The methodology of determining tariff as per competitive bid terms was well known to all the existing suppliers including RIL who were privy to RFP tender documents issued by the Airport Operator i.e. DIAL.</p>	Refer comments at Sl No.4 above
	11	BSSPL has not provided any details with regard to capital expenditure, Operating expenses, financing charges etc, in their proposal to AERA for MYTP 2011-12, which are required to ascertain the reasonableness of the tariff proposed now	All required details as per "light touch approach" has been provided to the "Authority" & the reasonableness of the tariff is quite evident from the submitted figures.	In terms of Clause 7.2 of the Guidelines, the Authority had accepted the request of BSSPL for treating certain information as "Confidential Information". Further, the present tariff proposal is being considered under the light touch approach.



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
	12	If cost plus basis is the criterion for reasonableness of tariff then same can be assessed only on receiving all financial details, If competitive tariff is the basis of reasonableness then the Airlines who are paying similar charges at other airports may also be able to guide.	The tariff is not on cost plus basis but is on the premise that any enterprise should have fair rate of return for the business venture it enters. In fact the tariff for which approval has been sought from "Authority" has been derived from competitive bid & its reasonableness is well justified.	Refer comments at Sl.No.11 above.
	13	Concession agreement provides for, "price cap so prescribed shall be maximum rates and Selected tenderer will be free to offer a discount on these rates to the Air Carriers or the Supplier,". It is possible to offer discriminatory discounts to specific suppliers and thereby reduce competitiveness of other suppliers. AERA should seek the details of costs and the tariff from BSSPL and the basis of offering any discount to suppliers from BSSPL so that no undue competitive advantages is given to any supplier.	Even though the ITP rate is the price cap, yet due to the fact that no further scope of reduction is possible on account of already low level of ITP Service Fee derived from competitive bid, all the suppliers are currently being provided services at the same rate. Hence no competitive advantage is being given to any suppliers.	Refer comments at Sl.No.4 above.



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Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
	14	<p>As per agreement copy submitted by BSSPL, the subsequent revision in fees will be 5% or WPI index, whichever is lower. And if the increase is more than 5% DIAL will approve the same. This escalation clause is in contradiction with guidelines issued by AERA . Hence, we would request AERA to kindly review the fees being proposed by BSSPL for year 2011-12 and for subsequent year the revision should be based on the actual cost data, duly approved by AERA. This should also apply to other ITP agent, IOSL at Delhi Airport.</p>	<p>ITP Service is a very specialized service to aircrafts with full emphasis on "Quality" & "Safety". 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, the expanse of the apron operational area including local parameters specific to the airport.</p> <p>"Quality" & "Safety" is of paramount importance in ITP Service as this last mile connectivity which entails the most critical activity of fuelling the aircraft. 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</p>	<p>It is not the case of the stakeholder that the WPI has increased by a figure less than 5%. Hence, the reply furnished by BSSPL appears to be acceptable.</p>



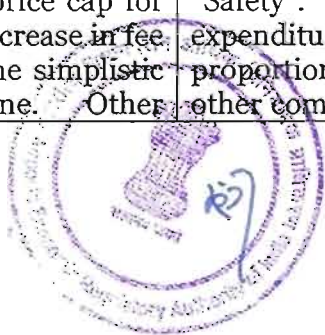
Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
			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. The annual increase sought by us is fully justified.	
International Air Transport Association	15	Effective competition would be present when the two ITP service providers contract different fees with the same supplier. In other words, if the two ITP service providers consistently contract the same fee with the same supplier or even the same fee with all suppliers, then effective competition would clearly be absent and one would be seriously concern about possible price-fixing. AERA needs to get the ITP service providers to submit crucial information on fees contracted with suppliers to make an informed assessment of whether effective competition actually exists.	The ITP Service Charges "Agency Fees" which is based on competitive bid are very reasonable as per cost structure & capital expenditures. The fees are very competitive even as per global benchmarks, It is a fact that the two ITP Service providers at Delhi Airport have contracts with common supplier (business split between the two for better service levels & operational efficiencies). However the ITP Service Fees derived on lowest competitive bid does not provide scope of further reduction in terms of discount. Suppliers have the freedom to choose "ITP Service" provider.	Authority believes that a competitive scenario would emerge if the service providers are appointed through open competitive bidding process. In any case, the users, i.e, Oil Companies have accepted this as a competitive situation. Further, the Authority is of the opinion that price alone is not the sole criteria of indicative competition or otherwise. Quality of service is equally important and the users have a clear choice on this count itself.



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
	16	<p>Effective competition would be present when the ITP service providers actively practise contracting directly with airlines. Presently, the ITP service providers only contract with suppliers who then pass through the entire cost to the airlines. Airlines would tend to negotiate harder than suppliers for lower rates since airlines are the actual payers of the fee. When effective competition is absent, both ITP providers could be observed to shun contracting directly with airlines to avoid revenue dilution.</p>	<p>The ITP Service component in the entire "Aviation Fuel-Value Chain" is very small in terms of "Economic Value" & with such low rates derived from competitive bid; it does not provide scope of further reduction. Hence the contentions that that "Airlines would tend to negotiate harder" & "possible price fixing" etc are not true.</p> <p>In the current business model at Delhi, since "ITP Service" economic value is miniscule (Rs 156.45 per KL for ITP Service when compared to current Aviation Fuel price of Rs 48994.63 per KL), it is the "Suppliers" as a single party; who negotiate the fuel price with the airlines till the wing-tip of the aircraft as a part of their fuel supply obligations. This concept is quite common across the Globe.</p>	Refer comments at Sl.No.15 above.
	17	<p>IATA is strongly opposed to any automatic annual escalation in fees as is the case with the price cap for the ITP service fee. An increase in fee cannot be justified on the simplistic basis of WPI alone. Other</p>	<p>ITP Service is a very specialized service to aircrafts with full emphasis on "Quality" & "Safety". The cost structure & expenditures of ITP Service is not directly proportional to fuel volumes but has many other complexities in terms of operational</p>	Refer comments at Sl.No4 above.



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Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
		<p>parameters such as economies of scale and increased operational efficiency need to be factored in. What has been observed at other airports outside India where effective competition in ITP service exists is that fees tend to stay constant or fall as throughput volume grows and operational efficiency improves. Allowing ITP service fees to rise automatically takes away the incentive for the ITP service providers to strive for better operational and business efficiency. Such an automatic increase is clearly not sustainable. BSSPL's proposal for the ITP service fees for 01.04.2011 to 31.03.2012 merely applies a 5% increase over the levels it had proposed for the preceding period (28.07.2010 to 31.03.2011). In the absence of any concrete justification, such an increase should not be allowed.</p>	<p>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, the expanse of the apron operational area including local parameters specific to the airport. Hence the comment that the fees tend to stay constant or fall as volume grows" as stated in the response is not correct. "Quality" & "Safety" is of paramount importance in ITP Service as this last mile connectivity entails the most critical activity of fuelling the aircraft. 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</p>	



Comments furnished by Bharat Stars Services Private Limited (BSSPL) in respect of views expressed by stakeholders on the Consultation Paper No.03/2011-12 – Multi Year Tariff proposal for 1st Control Period submitted by BSSPL for Into- Plane Service Fee at IGI Airport, New Delhi dated 28.04.2011

Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
			<p>submission is the "BARE MINIMUM" keeping in mind the inflation/WPI trends & forecast.</p> <p>It will be pertinent to mention here that due to some recent incidents pertaining to Aviation Fuel at some international airports in the world, in the recently concluded IATA conference in Singapore (May 2011) an earnest plea was made by the "Technical Group" to their "Commercial Group" that "Cost Cutting" should not lead to compromising on "Safety/Quality" standards for aircraft servicing as it is seriously detrimental to airlines interest. This annual increase sought is fully justified.</p>	
	18	<p>The criteria used by Delhi International Airport Limited for selection of the two ITP service providers are not transparent to IATA but it would seem from the annexure in the Consultation Paper (shown as page '216') that a concession fee needs to be paid to DIAL by the ITP service providers. This fee is passed through entirely to</p>	<p>The revenue sharing in terms of concession fees (5%) by the concessionaire with the Airport Operator is in line with the signed agreement.</p>	Refer comments at Sl.No4 above.



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Stakeholder	Sl.No	Comments of the Stakeholders	Clarifications by Bharat Stars Services Private Limited	Comments of AERA
		the airlines. IATA objects to any fee levied by the airport that has no cost basis. Furthermore, such a fee, being associated with fuel services, should be treated as an aeronautical charge and be regulated by AERA.		
Bharat Petroleum Corporation Limited	19	Proposed tariff of BSSPL with 5% escalation for coming 5 years for ITP service at IGI Airport appears reasonable.		
	20	Approval of any revision over the 2010-11 of MYTP submitted by BSSPL Delhi for 2011-12 and onwards should be from prospective date.	Refer reply as at Sl.No.5	Refer comments at Sl.No6 above.

