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Dear Shri Prakash,

CONSULTATION PAPER No. 10/2011-12

This refers to the Consultation Paper, 'Multi Year Tariff Proposal for the First Control Period submitted by Bharat Stars Services Pvt. Ltd. for Into Plane Services Provided at Bangalore International Airport, Bengaluru'.

IATA is against an increase in into plane fee at Bangalore International Airport (BLR) applied for by Bharat Stars Services Pvt Ltd (BSSPL) for the following reasons:

- The into-plane service market at BLR 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 increases. The absence of price variation between the entities suggests that a duopolistic market exists.
- 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 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.
- ✓ The current rate of 200 Rs/KL is 28% higher than the fee recently approved by AERA for into-plane service at Indira Gandhi International Airport (IGIA) that is applicable from 1 April 2011 – 31 March 2012. 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 200 Rs/KL at BLR by 30-40% to be in line with regional norms.

- Firms operating in a truly competitive environment cannot expect fees to go up every year. This is particularly so in a growing market where the number of market players remains constant (such as at BLR 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.

Thank you.

Yours sincerely,



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