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Dear Shri Prakash,

CONSULTATION PAPER No. 03/2011-12

IATA would like to provide its comments to the Consultation Paper on 'Multi Year Tariff Proposal for 1st Control Period submitted by Bharat Stars Services Private Limited for Into-Plane Service Fee at IGI Airport, New Delhi'.

IATA's comments to Consultation Paper No. 03/2011-12 are largely similar to what was provided in its submission for Consultation Paper No. 01/2011-12. This is being reproduced below (with a change in the name of the entity from IOSL to BSSPL) as follows:

- Although the Into-Plane (ITP) Service at IGI Airport, Delhi (DEL) is deemed competitive because it satisfies the criterion of two or more service providers, AERA needs to make sure that effective competition is in fact present. Evidence that points towards effective competition could be in the following form:
 - 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 concerned 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.
 - 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.

- 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 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.

IATA has the following comments that are in addition to what was provided for Consultation Paper No. 01/2011-12:

- 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 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.

Thank you.

Yours sincerely,



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