

IndianOil Skytanking

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AV/TSD/BSSPL- ITP Mumbai
27th April 2018

**THE SECRETARY,
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA,
AERA Building, Administrative Complex,
Safdarjung Airport, NEW DELHI – 110 003.**

Dear Madam,

Subject: TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL AND ANNUAL TARIFF PROPOSAL FOR SECOND CONTROL PERIOD W.E.F. 01.04.2016 TO 31.03.2021 IN RESPECT OF M/s BHARAT STARS SERVICES PVT LIMITED (BSSPL) FOR PROVIDING INTO PLANE SERVICES AT CHATRAPATI SHIVAJI INTERNATIONAL AIRPORT MUMBAI : Consultation Paper No 01/ 2018-19

Reference may please be made to Consultation Paper No 01/ 2018-19 on the subject requesting stakeholders to submit comments and suggestions in respect of the said consultation paper.

Our comments / suggestions on the subject Consultation Paper are as under:

1. Mumbai Aviation Fuel Facility Private limited (MAFFFL) had floated Open Tender for selection of two ITP service providers.
2. The selection criteria was that L2 party needs to match the rates of L1 party so that rate parity is maintained, and the suppliers/Airlines may have the options to select the ITP service provider providing better services at the same rate.

As an evidence to the above, we are reproducing below the tender conditions of the Public tender that was floated in 2014, by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL), the Concessionaires:

SN	Clause	Description	Comment of IOSL
1	Para 4.2.2. of Tender Reference MAFFFL-001	The key commercial objectives and principles of MAFFFL especially applicable to the ITP Service are (i) Ensuring that the Suppliers have a free choice in engaging services of any duly licensed into-plane service provider for ITP service	The supplier will have a free choice only if the (commercial) rates of both the Into-plane agents are identical and the ITP service providers shall compete on the

			service efficiency.
		(ii) Ensuring that the ITP Service fee for the users of the ITP service is non-discriminatory.	In case the rates of both duly authorized ITP agents are different, then the ITP service will be discriminatory in nature.
		(iii) Stimulating a competitive environment between the sub concessionaires, to ensure long term quality, efficiency, and innovation in ITP service at Mumbai Airport	The aimed competitive environment in long term quality, efficiency, and innovation in ITP service is measurable only if the rates charged are identical. If the ITP Tariff rates for both the ITP Service Providers are different then the service parameters stipulated in the tender shall be severely impacted which was not the intention of Public tender by MAFFFL.
2	Tender Evaluation Process: Financial Part	9.10.2 – fourth para; In order to evaluate to determine the second sub concessionaire, L2 shall be allowed an opportunity to match L1.	The spirit of the subject Tender was that both the ITP agents will have identical rates to enhance competition in other areas like service levels, efficiency etc. In case, different rates prevail, the suppliers will tend to commercially exploit the same, thus depriving one of the ITP agent and hence will kill the envisaged competition itself.
3		Other airports operating under Open access system	It is well known that identical rates are prevailing for the ITP operators at other airports like Delhi and Bangalore operating in line with their tender conditions and the same were approved by AERA.

3. In view of the foregoing, it is abundantly clear that the ITP service providers compete on the service parameters and **not on the rate as competition for rate has already been achieved through the competitive bidding process by MAFFFL.**

4. The Tariff rates approved by AERA for IOSPL for the year 2018-19 are as under:

Tariff Year	Aircraft Refuelling	Aircraft De-fuelling		Refuelling of Aircraft with Defuelled product	
		Within 6 hrs	Beyond 6hrs	Within 6 hrs	Beyond 6 hrs
2018-19	265.72	268.40	335.50	268.40	335.50

5. MAFFPL had awarded the contract for ITP operations to M/s Bharat Stars Services Private Limited (BSSPL) who was the L1 party and to M/s IndianOil Skytanking Private Limited (IOSPL) who was the L2 party in the tender. IOSL matched the rates of L1 party and thereby meeting the tender conditions. Both parties executed exactly identical agreement.
6. Similar practice is followed at Bangalore and Delhi Airports and this model is established and beneficial to the ultimate users (Airlines/Suppliers).
7. With the proposed differential (higher) rates of Rs 300.07 per KL for 2018-19 for BSSPL as per CP No.01 of AERA at the same airport, the original L1 party (BSSPL) stands to become L2, which seems illogical. Hence, the parties who were selected through the same tender under same terms & conditions with identically executed agreements would need to charge different rates that would be violation and complete ignorance the public tender of MAFFFL.
8. As the services provided by the two service providers, meeting the same service standards, there cannot be a different rate for the same services.
9. As the services are identical by the two service providers, the party having higher declared rate will stand at a disadvantageous position with respect to the business as the users would tend to choose and award business to the service providers providing the same service at the lower rate, approved by AERA.

The above situation may have following implications: -

- i. Other service provider whose rates are higher may be forced out of business leading to monopolistic situation.
- ii. In case, ITP operator chooses to charge differential rates (higher), its volumes may reduce substantially, with cascading reduction on margins and thereby forcing them to approach the Authority once again with revised MYTP application for further higher tariff rates.
- iii. Deter prospective new ITP operators to enter the market.

In view of the above explanations, it is evident that the current approach of the authority to approve different rates for the service providers providing the identical services would have detrimental effect on the overall services by the ITP service providers.


In line with the Public Tender and the identical agreements executed by both the service providers, it is binding on both service providers at Mumbai Airport to offer the ITP services at the identical rates. It is understood that BSSPL had submitted a letter to the authority confirming their concurrence for matching the ITP Tariff approved by AERA for IOSL. We request the Honorable Authority to accept the request of BSSPL and accordingly approve their tariff.



The Hon'ble Authority may kindly take our above submissions into consideration while approving the said proposal.

Thanking you,

Yours truly,
For IndianOil Skytanking Private Limited,


(T.S. Dupare) 27/04/2018
Chief Executive Officer

CC: - CEO, MAFFFL – for information please.