

भारत स्टार्स सर्विसेज  
प्राइवेट लिमिटेड



**BHARAT STARS SERVICES  
PRIVATE LIMITED**

(A JV of BPCL & ST - Airport Services, Singapore)

*Trusted Partnership*

**BSSPL/HO/2019-20/AERA**

The Chairperson

Airports Economic Regulatory Authority

AERA Building, Administrative complex

Safedurganj Airport, New Delhi- 110003

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण 09.10.2019

सफदरजंग एयरपोर्ट, नई दिल्ली - 110003

प्राप्त

डायरी नं० 14308

तारीख 10/10/19

Dear sir,

Sub- Consultation Paper towards of Multi Year Tariff Proposal for 4th & 5th Tariff Years of Second Control Period for determination of Tariff for Into Plane Service Fee by Bharat Stars Services Private Limited — ITP Service Provider at Kempegowda International Airport, Bengaluru

We are in receipt of your consultation paper No. 08/2019-20 dated 19<sup>th</sup> September, 2019 issued by your good office in response to our Annual Tariff proposal for KIA, Bengaluru for FY 2019-20 (From 24.05.2019 to 31.03.2019) & 2020-21 (01.04.2020 to 31.03.2021) for providing Into plane services at Kempegowda Airport, Bangalore.

We give below our comments on the Consultation paper:

**a) Drastic reduction in proposed ITP tariffs:**

It is noticed that that the honourable Authority has considerably reduced the ITP Tariffs plan submitted by us as per our Tariff submission dated 19<sup>th</sup> Aug, 2019. We had proposed the following Tariffs for remaining part of the control period :

Period	Fueling Aircraft	Defueling of Aircraft		Refueling of Defueled Product	
		Within 6 Hours	Beyond 6 hours	Within 6 Hours	Beyond 6 Hours
figures in Rs. KL					
FY 2019-20	Rs 358 / kl	373	447.6	410.3	447.6
FY 2020-21	Rs 367.38/kl	382.77	459.33	421.05	459.33

In our Consultation paper, the honourable authority has proposed a much reduced tariff of Rs. 300.72/kl & Rs. 363.34/kl for the Financial Year 2019-20 (For remaining part of the year) & 2020-21 respectively.

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Registered Office : Aviation Fuelling Str., Shahbad Mohammadpur, New Delhi - 110061

CIN: U11100DL2007PTC168158

We submit that tariff projected by us was based on increased operating cost on account of higher rental (approx. Rs. 36/kl) , increased Revenue share (approx Rs. 55/kl) and the capex plan (Rs. 34/kl) . Against this total additional tariff impact of Rs. 125/kl, the honourable authority proposes an increase of only Rs. 32/kl since our current rate is Rs 268/Kl. This will put our profits/ margins under severe pressure.

We request the Authority to reconsider the original tariff plan proposed by us.

b). We also refer to consultation paper No. 06/2019-20 dated 13<sup>th</sup> September, 2019 for our competitor at Bengaluru, i.e M/s IOSL. It is observed that ITP tariff proposed by AERA for our company is lesser than than of our competitor The tariff proposed by AERA for the larger ITP operator is Rs 303.04 (against 300.72/kl for BSSPL for FY 2019-20 & Rs. 365.75 /KL (against 363.34/kl for BSSPL ) for 2020-21.

Since we have a much lesser market share currently at less than 40% but have considerably high cost of operations due to lesser share of business, our tariff should be logically higher than the competition who holds a large part of market share. The growth rate in fuel volume is not of permanent nature and our volume share may decrease over coming period. This will negatively impact our revenues. Therefore we submit that tariff rates approved for BSSPL who has much lower market share (approx. one-third ) should be higher than that of our competition who has much higher (approx. two -thirds) market share .

**c. Nature of competition at the airport :**

The honourable authority has opined in point no. 3.5 of the consultation paper that in real terms there is no competition as ITP service provider because the ITP operators are promoted by BPCL and IOCL, the marketing companies.

We had explained to the authority during our earlier submission as well as during presentation that irrespective of ownership, the promoters do not play any role in management or marketing of ITP operator. The nature of market forces ensure that there is always a healthy competition between the ITP operator. We again cite some points to demonstrate the intensity of competition between ITP operators:

- I. The recent tender process for selection of ITP operator at Bangalore Airport was highly competitive i.e Global tender where various domestic & International ITP operators participated in Technical & commercial rounds.
- II. Bangalore airport has maximum number of suppliers e.g IOCL, BPCL, HPCL, Shell MRPL , Reliance among major open access airports. This leads to intense competition among the ITP operator to vie for ITP business from suppliers. In our case, we serve four of five suppliers round the year and market share keeps on changing on monthly basis. Besides, the ITP operators compete aggressively on critical parameters of Quality of ITP service, Safety & Efficiency that are so important for ITP operations.
- III. The competition is evident from the fact that our market share has varied from 22% to 32% in last ten years. We have witnessed wild swings of 25% to 30% of Fuel volume throughput the year at Bangalore airport since the contracts of Airlines with suppliers are short duration i.e maximum one year to two years.



**d) True up of Proposed tariff :**

Vide point no. 4.2 of Consultation paper, the authority has recommended that the existing ITP tariff of Rs. 268.03/ K.L shall be followed till date of issue of Final order.

We beg to submit that vide our letter dated 19<sup>th</sup> August 2019 ( point g on True up of Tariff) , we had requested the authority to true up the final approved Tariff so that we can recover the costs incurred on account of various operating costs majorly on the increased Rental & Revenue share. As per terms of new agreement with BIAL, we have already started paying the rent and revenue share wef 24 may 2019.

We submitted our tariff proposal to AERA on 01.05.2019 while the CP was published on 19<sup>th</sup> September 2019, after a period of approx. five months. Since applicability of tariff orders has always been on prospective basis, we request the authority to consider the projected revenue loss for six months when finalizing the tariff order for BSSPL. Therefore , we request for true of above cost in proposed tariff .

We request the honorable authority to consider the above points while issuing the final tariff order.

Thanking you,

For **Bharat Stars Services Private Limited**



**Akash Tiwari**

**(Chief Executive Officer)**