

Order No. 20/2018-19

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Date of Issue: 27.09.2018

Service : Into-Plane Fueling Services
Service provider : M/s Bharat Stars Services (Delhi) Private Limited
Airport : IGI Airport New Delhi.

In the matter of the Annual Tariff Proposal for third, fourth and fifth tariff year of the second control period (FY 2018-19 to FY 2020-21) submitted by M/s Bharat Stars Services (Delhi) Private Limited for providing Into-Plane fueling service at IGI Airport New Delhi.

M/s Bharat Stars Services (Delhi) Private Limited (BSSPL) is one of the Into Plane Fuelling Service (ITP) provider appointed by DIAL at Indira Gandhi International Airport, New Delhi. The Authority vide Order No.02/2011-12 dated 30.05.2011, decided that the Into Plane fueling services provided by M/s BSSPL will be regulated under '**light touch approach**' during the first control period (01.04.2011 to 31.03.2016) and also determined tariff for the first tariff year (2011-12). Subsequently, the Authority also determined the tariff for second tariff year (2012-13) of the first control period vide order No.07/2012-13 dated 19.06.2012. Thereafter, the Authority vide Order No.13/2013-14 dated 07.06.2013 also determined tariffs for 3rd, 4th, and 5th tariff year of the first control period.

2. M/s BSSPL vide letter dated 09.03.2016 submitted its Multi Year Tariff Proposals (MYTP) and Annual Tariff Proposals (FY 2016-17 to 2020-21) for determination of tariff for the second control period (01.04.2016 to 31.03.2021) for providing Into Plane services provided at IGI Airport, New Delhi. Based on the concession agreement with Delhi International Airport Limited (DIAL), BSSPL proposed 5% annual escalation year on year. The Authority vide Order No. 06/2017-18 dated 12.06.2017 decided to adopt light touch approach for determination of tariff for the second control period and also decided to allow the levy of tariffs existing as on 31.03.2016 for the first tariff year (2016-17) of the second control period. For the 2nd tariff year (2017-18), the Authority determined the tariffs wherein 5% increase on previous year tariff, was considered.

3. The Authority further vide Order No. 43/2017-18 dated 28.03.2018, allowed to continue levy of tariffs existing as on 31.03.2018, for a further period of six months w.e.f. 01.04.2018 or till determination of tariffs for the Second control Period whichever is earlier.



4. M/s BSSPL, vide letter dated 19.03.2018 submitted the Annual Tariff Proposals (ATPs) for third (FY 2018-19), fourth (FY2019-20) and fifth (FY2020-21) tariff year, seeking an increase of 5% year on year. They also submitted the justifications for revision in their rates.

5. The Authority considered the submissions made by BSSPL and issued the Consultation Paper No. 10/2018-19 dated 01.08.2018 wherein the Authority proposed that the tariff for third tariff year (FY 2018-19) may be allowed same as existing on 31.03.2018 and for the fourth tariff year (FY 2019-20), an increase of 5% over previous year tariff may be allowed which may be continued for 5th tariff year also (FY 2020-21, upto 31.07.2020) during second control period. The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal latest by 23.08.2018. In response to the proposal contained in the Consultation Paper, comments have been received from M/s Indian Oil Skytanking Private Limited (IOSL) and M/s Hindustan Petroleum Corporation Limited (HPCL). The comments received from these stakeholders were uploaded on AERA's website vide Public Notice No. 20/2018-19 dated 10.09.2018. Brief details of the comments received are given hereunder:

5.1 M/s Indian Oil Skytanking Private Limited: M/s IOSL has stated that IOSL and BSSPL were selected by DIAL through global competitive bidding process wherein the L2 had to match rate quoted by L1 bidder as per the tender terms and conditions. The rationale for this is that the supplier will have a free choice to select the ITP Service provider and thereafter they shall compete only on service standards. The targeted competitive environment in long term quality, efficiency and innovation in ITP Services is measurable only if the rates are identical and the service parameters stipulated in the tender shall remain unimpaired as per the spirit of the global tender. Similar practice is adopted at Bangalore and Mumbai Airports.

Further, the possible outcomes of a differential prices approval by AERA will be that the suppliers freedom in selecting the into-plane service provider is restricted, as the obvious choice would be to prefer the service provider with a lower fee and this would necessary compel the service provider with a higher fee to realize lesser volume or wind up the service attributed to unviability or offer discounts to remain in business. In any of the events it creates a monopolistic situation for one service provider or creates an entry barrier for new players intending to enter this segment. Also, the service provider will resort to cost cutting measures which could jeopardize the quality & safety. Citing these reasons, IOSL has requested to maintain same tariff at Delhi for both the service providers i.e. IOSL as well as BSSPL.

5.2 M/s Hindustan Petroleum Corporation Limited (HPCL): HPCL has also suggested to keep the rates at par with the other agency providing similar services at IGI Airport, New Delhi. HPCL further stated that they will abide by the decision of the AERA, however, any revision of Into Plane service charges should be approved on prospective basis only.

5.3 In addition to above, comments from M/s Bharat Petroleum Corporation Limited (BPCL) have also been received on 14.09.2018, wherein they have suggested that the tariff approved by AERA should be same for all ITP agencies and differential price for ITP charges may lead to a situation wherein the



ITP agency with higher tariff may tend to lose business resulting in loss of revenues thereby impacting their operational efficiencies and service standards. BPCL further stated that rates should be approved on prospective basis only.

5.4 **M/s Bharat Stars Services (Delhi) Private Limited:** BSSPL vide its letter dated 21.09.2018, has submitted the following comments:

- a) There are two ITP service providers at Delhi Airport i.e. IOSL and BSSPL, since 2010.
- b) As per terms and conditions of the tender issued by DIAL in 2010, it would award business to two ITP service providers on the basis of lowest quotes. The L2 would have to match the L1 rates of other service provider so that the tariff of both the operators is similar for all suppliers.
- c) The rationale behind keeping similar tariff would have been to encourage competition among the ITP operators on the basis of service standards rather than on price.
- d) If AERA passes higher ITP tariff for BSSPL, the suppliers may choose the competitor with lower tariff resulting into loss of business to them.
- e) BSSPL has requested to keep similar tariff for both ITP operators at Delhi as has been approved for other ITP operator (IOSL) vide Order no. 19/2018-19 dated 14.09.2018 for balance of the second control period.

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6. **The Authority's Examination:**

- 6.1 The Authority observed that BSSPL has submitted its Annual Tariff Proposals with 5% escalation year on year for the tariff year T3 to T5 i.e FY 2018-19 to FY 2020-21. However in the aforesaid Consultation Paper, the Authority proposed an increase of 5% for Tariff year 4 (FY 2019-20) to meet the revenue requirement of BSSPL, based on the data on the RAB, expenditure and sales volume etc. provided by the company.
- 6.2 The Authority has noted the comments of stakeholders viz. IOSL, BPCL and HPCL who have suggested that the same rates should be fixed for both the ITP service providers at IGI Airport, New Delhi as the competing criteria is service standards and parity in the rates of both the service providers should be maintained.
- 6.3 The Authority is of the view that the tariff determination should be based on the individual Agencies revenue requirement for efficient operator and service level to be provided by the Agency. It does not subscribe to the perception that the rate of the competitive firms should be the same or any contract condition of the Concession Agreement among the concessionaire has to be honoured which are not as per AERA's philosophy and guidelines.



- 6.4 the Authority also feels that determining the same rates for competitive firms would mean preventing competing firms from further improving their efficiency and reducing their rates. Moreover, in case the rate of the efficient firm is increased to match the rate of the other firms, it would mean discouraging the efficient firm to charge lower rate and get more business and would constitute a disservice to the user.
- 6.5 The Authority also noted that in this case the main stakeholders (Oil companies) have asked for the same rate for both the operators and BSSPL has also agreed to approve the same tariff as determined in case of its competitor M/s IOSL vide Order no. 19/2018-19 dated 14.09.2018. Hence, the Authority has decided to continue the levy of same tariffs existing as on 31.03.2018 for the third Tariff Year (2018-19), fourth tariff year (2019-20) and fifth tariff year (2020-21, upto 31.07.2020) of the Second Control Period.

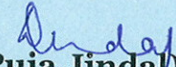
7. ORDER

Upon careful consideration of material available on record, as well as submissions made by the stakeholders/service provider, the Authority, in exercise of powers conferred upon it by Section 13(1) (a) of the AERA Act, 2008, hereby orders that:

- 7.1 The Authority has decided to allow M/s Bharat Stars Services (Delhi) Private Limited (BSSPL) to continue the levy of tariffs existing as on 31.03.2018 for the Third Tariff year (2018-19), Fourth Tariff year (2019-20) and Fifth Tariff year (2020-21, upto 31.07.2020) of the Second Control Period as at **Annexure-I**.

By the Order of and in the
Name of the Authority

भा.वि.आ.वि.प्रा.


(Puja Jindal)
Secretary

AERA

To,

M/s Bharat Stars Services (Delhi) Private Limited,
Plot No.A-5&6, First Floor,
Sector-1, Noida-201301.
(Through: Shri Akash Tiwari, Chief Executive Officer)



Annexure I

M/s Bharat Stars Services (Delhi) Private Limited					
IGI Airport, New Delhi					
Tariff Card for the 3rd, 4th and 5th Tariff Year of Second Control Period					
(Amount in Rs. Per Kl)					
Period	Fuelling of Aircraft	Defuelling of Aircraft		Refuelling of Defuelled Product	
		Within 6 Hours	Beyond 6 Hours	Within 6 Hours	Beyond 6 Hours
Tariff year 3 (2018-19) Tariff Year 4 (2019-20) Tariff year 5 (2020-21) up to 31.07.2020	199.67	199.67	300.18	249.26	300.18



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AERA