

Dated: 4<sup>th</sup> June 2021

Ref: AERA/Finance/2021-22/05

The Secretary,  
Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex,  
Safdarjung Airport, New Delhi -110 003.

**Sub: Suggestions/inputs of BIAL to Consultation Paper No.04/2021-22**

**Ref:** Determination of Aeronautical Tariff for M/s Bharat Stars Services Private Limited (BSSPL) providing Into Plane Services (ITP) at KIA, Bangalore for 3<sup>rd</sup> Control Period (FY 2021-22 to FY 2025-26)

Dear Sir,

In reference to the above Consultation paper, we thank the Authority for giving the opportunity to stakeholders to give comments and suggestions on the proposed position taken by AERA in each matter.

The responses of BIAL on specific issues are discussed below:

**1) Price cap Approach:**

In the Consultation paper the Authority has observed that there is no competition in ITP Services as both the ITP service providers, i.e. BSSPL and IOSPL at KIAB, primarily cater to the clients of IOCL and BPCL as principal service providers and only some portion of their business is generated from other client such as HPCL etc.

Hence, the Authority has proposed to adopt a “Price cap Approach” for tariff determination of BSSPL for the 3<sup>rd</sup> Control Period.

BIAL wishes to submit that the selection of ITP service provider at KIAB, is through a competitive tender based on a set of clearly defined financial and technical evaluation criteria. BIAL has an open access fuel farm and provides option of two ITP service providers to fuel suppliers/ airlines to ensure competition.

The fuel suppliers at KIAB are free to choose between the two appointed ITP service providers. Further, if the total cost of fuel to the end customer- airlines, is uncompetitive due to ITP charges, then airlines can change the fuel supplier and the ITP service provider.

The fuel suppliers/ airlines are free to negotiate and choose the ITP service provider based on the dynamic fuel price associated with volumetric discounts. The competition should not be determined basis the client being served but rather the price of the service being delivered and whether the end users - airlines, have the choice to choose the service provider. The fuel supplier can always negotiate with the ITP service provider to provide a competitive price while maintaining a minimum service delivery quality.

Under the above cited circumstances, BIAL believes that it would be not be appropriate to consider a change in the regulatory methodology, under the current uncertain phase.

BIAL, therefore requests the Authority to reconsider the “Price Cap” approach and continue with the “Light Touch “approach, as we believe that this approach is appropriate for greenfield airports like BIAL and considering the fact competitive tender process was followed for selection of the service provider and that there are more than one service provider available at KIAB for serving the end customer - airlines.

## 2) ATM Traffic Assumption

The Authority as assumed the following ATM projections for determination of the aeronautical tariff.

Year	Domestic	International
2021-22	70% of FY2019-20	50% of FY2019-20
2022-23	100% of FY2019-20	75% of FY2019-20
2023-24	108% of FY2019-20	100% of FY2019-20
2024-25	116% of FY2019-20	108% of FY2019-20
2025-26	124% of FY2019-20	116% of FY2019-20

As you would appreciate, the aviation industry across the globe and more so in India, is facing an unprecedented pandemic situation, with highly uncertain phase. As a result, Indian aviation industry has already been severely impacted with the daily average ATMs being almost at par with what was a year back post resumption of domestic flights in May’20 after lockdown (i.e. ~20-25% of pre-Covid levels).

As you are aware, government has restricted the number of flights to 50% of pre-Covid levels from June 2021 while multiple state governments continue to impose lockdowns in major economic centres of the country. Given the widespread impact of second Covid wave and a warning of a third wave later this year, the above traffic assumptions need to be relooked. We expect the FY2021-22 domestic traffic to be impacted by the 2<sup>nd</sup> wave of Covid, and recovery in domestic traffic to pre-covid levels is expected only in FY2023-24 on a full year basis.

Without the resumption of scheduled international operations, any significant recovery in international sector is not expected. With various travel restrictions currently in place by international countries for flights originating in India, the international traffic shall be much lower than 50% of FY2019-20 traffic assumed by AERA for FY2021-22. We expect the recovery to pre-Covid levels to be reached only by FY 2024-25.

BIAL requests the Authority to kindly consider the impact of the second covid wave and various government restrictions in place while finalizing the traffic assumption for the third control period.

## 3) Capital Expenditure

While Authority’s intent on the service providers meeting the timelines for their projected capital expenditure is well appreciated, there is a need to take cognizance of the fact that such works may be impacted in future due to reasons beyond the control of the service

providers. The Authority should also recognize the fact that future capex schedule is largely dependent on the pace of traffic recovery.

As such, proposing a 1% reduction in RAB as a penalty without considering the above factors and under the current circumstances, may affect the ITP service provider's operations at KIAB. Any such delay in the capex and surplus recovery can always be trued up by the Authority in the subsequent control period.

While BIAL does not believe in levying penalty, we request the Authority to consider the penalty only if the delay in capex can be solely attributable to the service provider.

#### 4) Tariff Proposal

As the Authority is aware, the COVID pandemic has severely impacted India and aviation sector is amongst the worst affected industry. We request AERA that, nominal inflation adjustment, at the minimum, should be considered for the proposed tariffs.

The above response specific points for kind consideration at your end.

Thanking you,

Yours faithfully,

**For Bangalore International Airport Limited**



**Bhaskar Anand Rao**  
**Chief Financial Officer**