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3 March 2017

WITHOUT PREJUDICE

Secretary
Airports Economic Regulatory Authority (AERA) of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi 110 003
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Dear Madam Jindal,

CONSULTATION PAPER No. 04/2016-17: TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL AND ANNUAL TARIFF PROPOSAL (T1 TO T5) FOR THE SECOND CONTROL PERIOD IN RESPECT OF M/S BHARAT STARS SERVICE PRIVATE LIMITED (BSSPL) FOR PROVIDING INTO PLANE SERVICES AT BANGALORE INTERNATIONAL AIRPORT, BENGALURU

IATA appreciates the opportunity to respond to the Consultation Paper No. 04/2016-17 relating to into-plane services at Bangalore International Airport (BLR) provided by M/S Bharat Stars Service Private Limited.

IATA disagrees that the presence of two into-plane services providers at BLR necessarily means that the landscape is competitive. In previous tariff proposals submitted by the two players in the market for into-plane services at BLR namely M/S Bharat Stars Private Limited and M/S Indian Oil Skytanking Limited, the tariff levels proposed had been identical. AERA needs to investigate whether that is arising from duopolistic behaviour in the market and price coordination by the players. If so, the market would clearly fail the competitiveness test.

There is also no justification for tariffs to escalate at 5% per annum when jet fuel demand at the airport is growing and economy of scale is realized. For AERA to determine that light-handed regulation would apply and then proceed to support the proposal for a 5% annual escalation would not be light-handed regulation in its true sense but more akin to approving a tariff proposal without going through the rigours of assessing the merits of the case.

For these reasons, IATA views that unless effective competition can be clearly demonstrated, light-handed regulation would be inappropriate. Where ineffective competition is present, IATA believes that deeper scrutiny of the company's financial performance should be carried out and a more intrusive type of regulation such as price cap regulation should be applied.

International Air Transport Association

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Yours sincerely,

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Head, Commercial Fuel Services

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