



15 May 2017

WITHOUT PREJUDICE

Secretary
Airports Economic Regulatory Authority (AERA) of India
AERA Building, Administrative Complex
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Email: puja.jindal@aera.gov.in

Dear Ms. Puja,

IATA'S RESPONSE TO FOUR CONSULTATION PAPERS RELATING TO TARIFF DETERMINATION FOR INTO-PLANE SERVICE PROVISION AT BOM, DEL and BLR

This has reference to the four Consultation Papers issued by AERA on provision of into-plane services at BOM, DEL and BLR as follows:

1. CP 01/2017-18 dated 11.04.2017 in the matter of MYTP and ATP for the 2nd control period in r/o M/s Indian Oil Skytanking Pvt. Ltd. (IOSL) for providing Into Plane services at CSI Airport, Mumbai.
2. CP 03/2017-18 dated 27.04.2017 in the matter of MYTP and ATP for the 2nd control period in r/o M/s Bharat Star Services (Delhi) Pvt. Ltd. (BSSDPL) for providing Into Plane services at IGI Airport, Delhi.
3. CP 04/2017-18 dated 27.04.2017 in the matter of MYTP and ATP for the 2nd control period in r/o M/s Indian Oil Skytanking Pvt. Ltd. (IOSL) for providing Into Plane services at IGI Airport, Delhi.
4. CP 05/2017-18 dated 03.05.2017 in the matter of MYTP and ATP for the 2nd control period in r/o M/s Indian Oil Skytanking Pvt. Ltd. (IOSL) for providing Into Plane services at Bengaluru Airport, Bangalore.

As the global trade association representing the world's leading airlines many of which operate to Indian airports, the International Air Transport Association (IATA) appreciates the opportunity given by AERA to provide its comments on these four Consultation Papers collectively.

Competition in provision of into-plane services

With respect to competition of into-plane service providers, even though there may be two providers at an airport, there is no clear evidence to suggest that there is effective competition.

- o Under the current contract between suppliers and airlines in India, airlines do not have a choice of into-plane service provider – it is the supplier which chooses the into-plane service provider. A supplier which has an ownership stake in the into-plane service

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provider would choose only to use that into-plane service provider. One indicator of competition is where one company could lose a customer to its competitor, but if this does not happen at each airport, competition cannot be deemed to exist.

- o At each of the airports in question (BOM, DEL and BLR), there are two into-plane service providers charging the same rates and consistently applying to AERA to increase their tariffs annually by the same quantum. Given that the two providers have different market shares and different cost structures, it is difficult to justify how they could be applying to charge the same rates.
- o There is also no observable improvement in service to justify an increase. In fact, with economies of scale as volumes grow, unit cost and therefore tariffs should be coming down. And yet, each time a tariff proposal is submitted to AERA, it is to ask for an increase and never to keep tariffs the same or to reduce tariffs. With both into-plane service providers already making a very healthy return on investment, there is clearly no justification for an increase in tariffs.
- o Considering the points laid out above and in view of the lack of evidence of effective competition, AERA should carry out intrusive regulation in order to fix tariffs fairly rather than simply endorsing the application for a tariff increase on the basis of light touch regulation. In the light of the growing volumes and ample profits, IATA recommends that AERA freezes tariffs for the four into-plane service providers at the level of 2015-16 to allow time for intrusive regulation to be carried out.

Fee Levied by the Airport

In the case of BOM where a hefty increase in into-plane fees proposed by IOSL has been attributed to the airport increasing the land licence fee, the fact that the land licence fee is imposed on a regulated service should classify the revenue derived from the fee as aeronautical revenue. As such, the airport should not have been able to increase land licence fee at any time within a regulatory control period without first getting the approval of AERA. The airport should clarify why an increase in land licence fee to the into-plane service providers was implemented without AERA's approval.

IATA seeks AERA's kind consideration of its inputs in this submission.

Thank you.

Sincerely,

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Head, Commercial Fuel Services

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