

Airports Economic Regulatory Authority of India

Order No. 6/2012-13

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003**

Date of Order: 12th June, 2012

Date of Issue: 19th June, 2012

In the matter of Annual Tariff Proposal (ATP) for the Second tariff year of the 1st Control Period submitted by Indian Oil Skytanking Limited (IOSL) in respect of the Into Plane Service (ITP) being provided at IGI Airport, New Delhi.

The Authority had considered the Multi Year Tariff Proposal (MYTP) for the 1st Control Period commencing from 01.04.2011 and Annual Tariff Proposal (ATP) for 1st tariff year (i.e. 2011-12) of the 1st Control Period submitted by M/s Indian Oil Skytanking Limited (IOSL) for Into Plane Service (ITP) being provided at IGI Airport, New Delhi. The Authority, after due stakeholder consultation issued the Multi Year Tariff Order (MYTO) No. 01/2011-12 dated 30.05.2011 wherein the Authority decided to adopt 'light touch approach' for determination of the tariff for the 1st Control Period and also determined their tariff for the period w.e.f. 28.07.2010 to 31.03.2011 and from 01.04.2011 to 31.03.2012 (1st tariff year)

2. IOSL vide letters dated 28.02.2012 and 01.03.2012 submitted their Annual Tariff Proposal (ATP) for the second tariff year (i.e. 2012-13) of the first control period. The ATP submitted by IOSL was put up for stakeholder consultation vide Consultation Paper No. 1/2012-13 on 2.04.2012 with 14 days response time. The last date of receipt of comments was 16.04.2012. In response to the proposal contained in the Consultation Paper, comments were received from

- (i) Delhi International Airport Ltd. (DIAL);
- (ii) Federation of Indian Airlines (FIA);
- (iii) Hindustan Petroleum Corporation Ltd.(HPCL);
- (iv) Indian Oil Corporation Ltd. (IOCL);
- (v) Bharat Petroleum Corporation Ltd. (BPCL) and;
- (vi) Air India.

4.1 DIAL, IOCL, BPCL and HPCL supported the increase in the Into Plane Services (ITP) charges stating that it is in line with the concession agreement between DIAL and the Service Provider. IOCL and BPCL further stated that the increase should be from prospective date so that the same can be recovered from airlines. HPCL, however stated that the rate should be the function of the cost and the volume of the business and any increase in the charges should be considered keeping these factors into consideration rather than fixing yearly increase.



4.2 FIA stated that ATF prices have been increased substantially and there the tax rate has been increased by the Government from 10% to 12% w.e.f. 01.04.2012. Aviation sector is reeling under adverse financial conditions and therefore such hike in charges may be deferred until the economic conditions are improved in aviation sector.

4.3 Air India also commented that the aviation sector is reeling under severe financial constraints and the airline will have no option but to pass on such increase to the passengers which will affect the overall profitability of the industry as a whole. Hence the increase may be deferred presently till the economic health of the industry improves.

5. It was observed that DIAL, IOCL, BPCL and HPCL supported the increase in the Into Plane Services (ITP) charges which was in line with the concession agreement between DIAL and the Service Provider. As regards the comments of FIA, IOSL clarified that the proposed enhancement of 5% per annum was in line with the concession agreement with DIAL and also in line with the inflation trends. Regarding hike in service tax, IOSL stated that it is statutory levy by the Government of India and hence they have no comment to offer. Further on the comments of Air India, IOSL clarified that the proposed escalation is only 5% per annum which was very much on the lower side compared to the current inflation trends prevailing in India. The escalation was very much essential with the sharp rise in input costs and for sustaining the long term business model which was recovered and approved through competitive bidding process by DIAL. IOSL stated that they did not agree with the comments/ suggestion of Air India for deferring the increase till economic health of the aviation industry improves as they had submitted the proposal which was adequately justified.

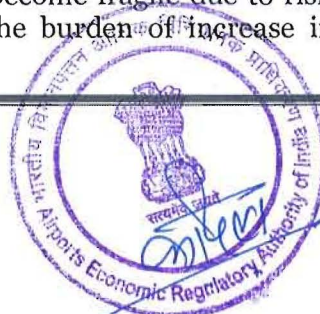
6. The Authority further noted that IOSL have sought approval for the following tariffs for the year 2012-13 in line with the user agreement entered into with the suppliers:

Period	Fuelling of Aircraft	Defuelling Aircraft		Refuelling Product into an aircraft	
		Within 6 hrs	Beyond 6 hrs.	Within 6 hrs	Beyond 6 hrs.
01.04.2012-31.03.2013	164.27	164.27	246.96	205.07	246.96

7.1 The Authority considered the stakeholder submissions and observed that DIAL, IOCL, BPCL and HPCL have supported the proposal put up in the Consultation Paper for approval of the tariff for ITP services being provided by IOSL at IGI Airport, New Delhi for the 2nd tariff year (01.04.2012 to 31.03.2013) of the first control period.

7.2 Further, FIA have raised the issue of ATF prices having been increased substantially as also the rate of service tax having been increased by the Government from 10% to 12% w.e.f. 01.04.2012. They have also stated that aviation sector is reeling under adverse financial conditions and therefore such hike in charges may be deferred until the economic conditions are improved in aviation sector.

7.3 It was noted that Air India have also commented that the aviation sector is going through turbulent times and has become fragile due to rising fuel cost. The airline will have no option but to pass on the burden of increase in into plane charges to the



passengers which will affect the overall profitability of the industry as a whole. Hence the increase may be deferred presently till the economic health of the industry improves.

8. The Authority noted the comments and views of the stakeholders and observed that the increase in ATF price and rate of service tax is outside its jurisdiction. Further, IOSL had entered into agreements with the ATF supplier companies and in its proposal, it had requested for hike in tariff in line with these agreements. Also, IOSL had informed all the fuel suppliers regarding its proposal and probable increase in tariffs in advance. Hence, for the 2nd tariff year of the current control period, i.e., 2012-13, the Authority may approve tariffs as proposed by IOSL with effect from 01.04.2012, as requested by IOSL.

ORDER:

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act 2008, hereby orders that:

- (i) With effect from 01.04.2012, the tariff for Into Plane service provided by Indian Oil Sky tanking Ltd at Indira Gandhi International Airport, New Delhi for 2nd tariff year (01.04.2012 to 31.03.2013) of the first Control Period are approved as given in the para 6 above.

सत्यमेव जयते

**By the Order of and in the
Name of the Authority**


**(Capt. Kapil Chaudhary)
Secretary**

To

**M/s Indian Oil Skytanking Ltd.,
Fuel Farm Facility,
Bangalore International Airport,
Devanahalli,
Bengaluru – 560 300
(Through: Shri T. S. Dupare, CEO)**

