

[F. No. AERA/20010/MYTP/CIAL/2011-12/Vol-I]
Airports Economic Regulatory Authority of India

Order No. 25/2015-16

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

Date of Order: 24th June, 2015

Date of Issue: 9th July, 2015

In the matter of Fuel Throughput Charges in respect of Cochin International Airport Ltd. (CIAL).

As per Airport Guidelines, the Authority is required to determine tariff for the aeronautical services at an airport on the basis of Multi-Year Tariff Proposal (MYTP) submitted by the Airport Operator for a control period of 5 years. The Authority reviews the proposal submitted by the airport operator and determines the yield per passenger based on its regulatory philosophy. Subsequently the Annual Tariff Proposal(s) (ATP) submitted by the Airport Operators (pertaining to the approved yield per passenger) are reviewed and approved.

2. As per the Airport Guidelines, all airport operator(s) were to submit to the Authority for its consideration, a MYTP for the first Control Period, i.e., five year period commencing from 2011-12 in the form and manner specified in the Airport Guidelines within four months of the date of issue of the Airport Guidelines. The last date for submission of the MYTP in terms of the Airport Guidelines was 30.06.2011.

3. Accordingly, CIAL submitted their tariff proposal vide letter dated 30.7.2011, followed by revised submissions, the latest being dated 10.02.2014.

4. CIAL submitted that they do not intend to increase the aeronautical tariffs viz. Landing, Parking, Housing, Passenger Service Fees and Cargo Charges in the current control period (FY2011-12 to FY 2015-16). Further, CIAL also stated that the existing tariffs, last revised in 2001, will continue till the end of this control period except for services such as ground handling, Fuel supply and CUTE charges, where fees are collected based on separate user agreements.

5. The Authority noted that CIAL entered into an agreement dated 19.05.1997 with Bharat Petroleum Corporation Ltd. (BPCL) and royalty on re-fuelling of aircraft i.e. Fuel Throughput charges (FTC) were fixed at Rs. 5/KL . Further, it was agreed that upon cessation of the administered pricing mechanism of ATF, the rate of payment of this royalty will be reviewed between parties and re-fixed according to the market conditions.



6. The Authority further noted that, as per minutes of meeting dated 06.11.2009 between CIAL & BPCL, the royalty payable by BPCL to CIAL on behalf of all oil companies would be at the rate of Rs. 70/KL for a period of one year with effect from 01.04.2009 to 31.03.2010 and thereafter an annual increase of 20% every year for a further period of five years. It was also agreed that the rate of royalty with effect from 01.04.2015 would be discussed and finalized during the month of March 2015.

7. The Authority vide its Order No.07/2010-11 dated 04.11.2010 had earlier approved the fuel throughput charges for various airports including CIAL on ad-hoc basis and decided an increase of 20% on pre revised Fuel throughput charge i.e. Rs 70/kl. amounting to Rs. 84/KL w.e.f 01.04.2010. However, there was no mention in the said Order that the 20% escalation is to be applied in subsequent years also.

8. CIAL Airport has, however, adhered to the agreement with BPCL and the throughput charges were being escalated 20% annually even though there was no specific order of the Authority in this regard. Invoice pertaining to Fuel Throughput charges for the year 2014 and 2015 as obtained from CIAL confirmed the increase in throughput charges.

9. The Authority, vide Order No. 18/2015-16 dated 22.06.2015 issued in the matter of tariff determination of Cochin International Airport ltd. inter-alia noted that as per Authority Order No. 07 dated 4th Nov, 2010, a rate of Rs. 84 per KL, towards FTC has been 'ad hoc' approved by the Authority w.e.f. 01.04.2010. As on date, no other rate has been approved by the Authority for CIAL yet. While all other airport operators have abided by the FTC rates mentioned in the above mentioned order, CIAL had chosen to demand higher FTC from oil companies, through BPCL, without any approval from AERA. This was protested by IOCL and HPCL; however this was unfortunately met with the threats of withdrawal of the Airport entry passes of their employees. CIAL had even conveyed to the airlines customers IOCL and HPCL that the entry passes withdrawn due to non-payment of the higher FTC demanded by CIAL. The Authority noted that as per CIAL, issue of Airport Entry permits to any agency is guided by the security and other applicable directions/orders issued by DGCA/BCAS from time to time.

ORDER

10. Upon careful consideration of the matter available on record and the fact that CIAL filed its MYTP with the Authority in July, 2011 wherein approval to continue 20% increase in FTC levy as per contractual agreement with BPCL was sought, the Authority in exercise of powers conferred under Section 13(1) (a) of AERA Act 2008, hereby orders that:

- (i) The action of CIAL in levying 20% increase automatically year on year is condoned and ex-post facto approval for the rate of Rs. 209.02 per KL as being presently levied is accorded with the condition that no further increase would be allowed for the

remaining part of this control period or till the tariffs for the second control period are determined by the Authority, whichever is later.

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

Alok Shekhar
**(Alok Shekhar)
Secretary**

To,
**Cochin International Airport Pvt. Ltd.,
Nedumbassery, Kochi Airport P.O.,
Ernakulam-683111,
Kerala.
(Through Shri. V J. Kurian, IAS, Managing Director)**

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AERA

