

Airports Economic Regulatory Authority of India

Order No. 04/2017-18

AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi - 110003

Date of Issue: 12<sup>th</sup> June, 2017

**Service : Into-Plane Fueling Services**  
**Service provider : M/s Indian Oil Skytanking Private Limited.**  
**Airport : IGI Airport New Delhi.**

**In the matter of Multi Year Tariff Proposal and the Annual Tariff Proposal for the second control period (FY. 2016-17 to FY. 2020-21) submitted by M/s Indian Oil Skytanking Private Limited. (IOSL) for providing Into-plane fueling services at IGI Airport New Delhi**

The Authority considered the Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) submitted by M/s Indian Oil Skytanking Private Limited (IOSL) for provision of Into Plane Services (ITP) at IGI Airport New Delhi and after due stakeholder consultation, issued 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 tariff for the first Control Period and determined Annual Tariff for the 1st Tariff Year(2011-2012) . The Authority vide its Order No. 06/2012-13 dated 19.06.2012 determined Annual Tariffs for the 2<sup>nd</sup> tariff year(2012-2013). Thereafter, the Authority vide its Order No.3/2013-14 dated 16.04.2013 determined tariffs for the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> tariff year of the first control period.

1.1 The Authority vide its Order No.50/2015-16 dated 31.03.2016 allowed the AOs/ISPs to continue the levy of tariffs existing as on 31.03.2016 up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier. Thereafter, the Authority vide its Order No. 11/2016-17 dated 29.09.2016 further extended the levy of tariffs as on 31.03.2016 up to 31.03.2017 or till the determination of tariffs for the second control period, whichever is earlier. The Authority vide its Order no. 19/2016-17 dated 31.03.2017 has further extended the levy of tariffs as on 31.03.2016 up to 30.09.2017 or till the determination of tariffs for the second control period, whichever is earlier.

1.2 IOSL vide their letter No. AV/AERA/DLI-ITP/MYTP 2016-17 to 2020-21 dated 24.03.2016 submitted the certified copy of their Multi Year Tariff Proposal and Annual Tariff Proposal which was filed online by them for determination of tariffs for the second control period for providing Into Plane Services at IGI Airport, New Delhi. On the basis of ITP fuelling agreement with Delhi International Airport Limited (DIAL), IOSL has proposed 5% escalation of each rate element year on year.



IOSL has also submitted the Annual Compliance Statement (ACS) for the financial year 2015-16.

2. In respect of the regulated service(s) provided for Supply of fuel to the aircraft at major airports, the Authority considers that materiality of the service is linked to the actual volume of fuel off take (in Kilolitres) at the major airport. The materiality shall be assessed based on fuel off take volume in Kilo Litres (KL) at the major airport as a percentage of total volume of fuel off take in KL at all major airports. The percentage share of the volume of fuel off take for IGI Airport is 30.60% which is greater than 5% Materiality Index threshold limit fixed for the subject service. Hence the service is deemed '**material**'.

2.1 As per the information furnished by IOSL, in Form F1 (b) on the Competition Assessment, M/s Bharat Star Services Private Limited is rendering similar service at I G I Airport New Delhi. The Guidelines provide that where a regulated service is being provided at a major airport by two or more service providers(s), it shall be deemed '**competitive**' at that airport. In the instant case with the total number of players being two, the service is deemed '**material but competitive**'.

2.2 As per Clause 3.2 of the Guidelines, based on the assessment of materiality and competition, when such regulated service is deemed 'material but competitive', the Authority shall determine tariff(s) for the service provider(s) based on a 'Light Touch Approach' for the duration of the Control Period. Hence the regulated service being provided by IOSL at I G I Airport, New Delhi is 'material but competitive' and shall come under the 'Light Touch Approach' for tariff determination.

2.3 IOSL has sought an increase of 5% in tariffs as per the provision of their Into Plane Fuelling Service Agreement with DIAL. CEO, IOSL has also informed that Oil companies are their users and they have entered into user agreements with all the users and the increase in tariff sought is also as per the provisions of Concession Agreement. Hence there is no requirement for organising a specific stakeholder consultation meeting for the subject proposal.

2.4 As per Clause 11.2 of the Guidelines, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I to the guidelines and should be supported by the following documents:

- 2.4.1 Form B –Submission of ATP
- 2.4.2 Form 14(b)-Proposed Tariff Card
- 2.4.3 Details of consultation with stakeholders
- 2.4.4 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

IOSL has submitted Form B, Form 14(b) and copy of the user agreements with their Annual Tariff Proposal. IOSL has not provided evidence of stakeholder consultation meeting on the grounds given in para 2.3 above.

2.5 The Authority considered the submissions made by IOSL and issued the Consultation Paper No. 04/2017-18 dated 27.04.2017 proposing the following for stakeholder consultation:

- (i) The Into Plane Service being provided by Indian Oil Skytanking Private Limited (IOSL) at I.G.I Airport New Delhi is "Material but Competitive". Therefore the Authority proposes to adopt 'Light Touch Approach' for





determination of tariffs for the 2<sup>nd</sup> control period w.e.f 01.04.2016 to 31.03.2021 and accordingly issue the MYTO for the 2<sup>nd</sup> control period.

- (ii) Consider the 5% annual escalation in the tariffs sought by IOSL and decide the Annual Tariff Proposal for the tariff year's t1 to t5 i.e FY 2016-17 to FY.2020-21 submitted by IOSL as per their tariff card.

### **Stakeholders Comments**

3.1 BPCL & HPCL: They commented that any revision should be approved on prospective basis as the tariff is a "pass through" item.

3.2 IATA has conveyed the Authority that even though there may be two ITP service providers at an airport there is no clear evidence of effective competition. Further, Airlines have no choice to select ITP operators as the oil companies are selecting the ITP operators where oil companies have ownership stake. IATA suggested to freeze the tariff at F Y 2015-16 level in light of the growing volumes and ample profits and requested to carry out intrusive regulation.

3.3 The Authority vide Public Notice No 14/2017-18 dated 25/05/2017 has uploaded the above written comments of stakeholders received by AERA.

3.4 IOSL commented that ITP Operations are manpower oriented and constitute approximately 52% of the total operating cost. Hence, the return on average RAB based on capital employed seems inappropriate for ITP Business and needs due consideration.

IOSL further stated that DIAL is planning to commence operations at Terminal 2 by shifting operations from Terminal 1, resulting increase in operating cost and capital investment and requested AERA to consider these cost also while determining the tariff. They also suggested to determine the tariff for entire control period ie t1 to t5 simultaneously by escalating 5% year on year basis.

### **Views of the Authority**

The Authority observed that IOSL has submitted the tariff card with 5% escalation year on year for the entire 2<sup>nd</sup> control period from tariff year t1 to t5 i.e FY.2016-17 to FY.2020-21. The Authority carefully examined and considered the comments of BPCL and HPCL. Regarding the views of IATA the Authority is of the view that as per AERA Guidelines for CGF, two ITP service providers are providing similar services at IGI airport, New Delhi, the service should be deemed as competitive.

Regarding the comments of IOSL about the return on average RAB, the Authority considers RAB as well as other aspects such as operating cost including manpower cost, margin etc. Regarding the commencement of operations at Terminal 2, the Authority is of the view that IOSL may submit their proposal with detailed justifications after commencement of operations at Terminal 2, if required, tariff will be reviewed at that time. The Authority will determine the tariff for Terminal 3 after considering Annual Compliance Statement of t1 and t2 later.

The Authority has examined the proposal. It is necessary to provide for salary costs and inflation. Besides any change in charges should be prospective.



Considering the above facts, the Authority has decided to continue the levy of tariffs existing as on 31.03.2016 for the FY- 2016-17 (First Tariff Year) of Second Control Period. Further, the Authority decided to allow increase in tariff by 5% for second tariff year (FY 2017-18).

## **ORDER**

Upon careful consideration of material available on record, as well as submissions made by the stakeholders, the Authority, in exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 hereby orders that:

- i. The Into Plane Service being provided by M/s Indian Oil Skytanking Private Limited (IOSL) at IGI Airport, New Delhi is "Material but Competitive". Therefore the Authority adopts 'Light Touch Approach' for determination of tariffs for the 2<sup>nd</sup> control period w.e.f. 01.04.2016 to 31.03.2021.
- ii. The Authority decided to allow IOSL to continue the levy of tariffs existing as on 31.03.2016 for the First Tariff year (2016-17) of Second Control Period.
- iii. The tariff for the period 01.04.2017 to 31.03.2018 of the second control period for Into Plane Services provided by IOSL at IGI Airport New Delhi is determined as at Annexure – I.
- iv. IOSL should submit the Annual Tariff Proposal (ATP) for Financial Year 2018-19 with Annual Compliance Statement (ACS) for FY 2016-17 and FY 2017-18 well in time as per guidelines.
- v. The levy of tariffs shall be effective from 15.6.2017.

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

  
**(Puja Jindal)  
Secretary**

**To**

**M/s Indian Oil Skytanking Private Limited.,  
Fuel Farm Facility  
Bangalore International Airport  
Devanahalli  
Bangalore – 560 300  
(Through: Shri T S Dupare, Chief Executive Officer)**

**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,  
Safdarjung Airport New Delhi-110003.**



**M/s Indian Oil Skytanking Private Limited****IGI Airport, New Delhi****Tariff for the Second Tariff Year (2017-18) of Second Control Period.****(Amount in Rs. Per K L)**

Period	Fuelling of Aircraft	Defuelling of Aircraft		Refuelling of Defuelled Product	
		Within 6 hours	beyond 6 hours	Within 6 hours	beyond 6 hours
Tariff Year 2 (2017-18)	199.67	199.67	300.18	249.26	300.18



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AERA