

Airports Economic Regulatory Authority of India

Order No. 05/2017-18

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

Date of Issue: 12th June, 2017.

Service : INTO PLANE SERVICE
Service provider: Indian Oil Skytanking Limited
Airport : Kempegowda International Airport, Bengaluru.

In the matter of Multi Year Tariff Proposal(MYTP) for the second control period and Annual Tariff Proposal(ATP) (T1 to T5) for the second control period in respect of Indian Oil Skytanking Limited for Into Plane Service at Bangalore International Airport, Bengaluru.

1. The Authority, vide its MYTO Order No. 19/2011-12 dated 25.10.2011, decided to adopt '**Light Touch Approach**' in respect of the Indian Oil Skytanking Limited, Into Plane Services for determination of tariffs for the first control period. Subsequently, the Authority vide Order No. 25/2012-13 dated 29.10.2012 determined the tariff for the period 01.06.2011 to 31.03.2012(T2). Thereafter, the Authority issued Order No. 21/2013-14 dated 24.05.2013 determining Tariffs for the third, fourth and fifth tariff year (2013-14, 2014-15 and 2015-16).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. The Authority vide its Order No. 11/2016-17 dated 29.09.2016 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 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.
2. Indian Oil Skytanking submitted their online Multi Year Tariff Proposal (MYTP)/ATP for the second control period of five years commencing from 01.04.2016 to 31.03.2021 for determination of tariffs for the Into Plane Services provided by them at Bangalore Airport. IOSL also provided the Annual Compliance Statements (ACS) for the first control period.IOSL has sought an increase of 5% in tariff years over year during the five tariff years of the second control period in accordance with ITP fuelling agreement.
3. As per Clause 6 of Guidelines the Authority shall consider the existing User Agreement(s) as reasonable provided that .



- a. 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 Bengaluru Airport is 8.62% which is greater than 5% Materiality Index threshold limit fixed for the subject service. Hence the service is deemed '**material**'
- b. As M/s Bharat Star Services Pvt. Ltd. is also providing similar services at Bengaluru Airport. The Into Plane Services at Bangalore Airport are '**Competitive**'.
- c. As per Clause 3.2 (i) of the Guidelines, when such regulated service is deemed '**material but competitive**', the Authority shall determine Tariff(s) for service Provider (s) based on a "**light touch approach**" for the duration of the Control period. However, the Authority reserves the right to review materiality assessments, competition assessments and the reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary.
4. The Authority considered the submissions made by IOSL and issued the Consultation Paper No. 05/2017-18 dated 3rd May, 2017 wherein, the Authority proposed that the service provider may continue/maintain tariff for the tariff year 2016-17 & 2017-18 at the same level as approved by AERA order No. 21/2013-14 dated 24.05.2013 since, the service provider's earnings are significantly high and not to allow increase in tariff during the concession period expiring on 24th May, 2018.
- 4.2 The Authority requested written evidence based feedback, comments and suggestions from stakeholders on the above proposal latest by 15th May, 2017. In response, the following stakeholders have commented on the proposal made:
- a. **BPCL & HPCL:** They commented that any revision should be approved on prospective basis as the tariff is a "pass through" item
- b. **IATA:** 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 the Authority to freeze the tariff of FY2015-16 level in light of the growing volumes and ample profits and requested to carry out intrusive regulation.
- c. **IOSL:** a) The into plane fuel take off volumes are inconsistent and depends on the business awarded to them by oil companies (User agreements).
- b) The ITP operations are predominantly manpower oriented and staff cost constitutes 52% of the total operating cost, hence



return on average RAB methodology would be inappropriate for ITP operations.

5. Views of the Authority on Stakeholders comments:

The Authority observed that IOSL has submitted the tariff card with 5% escalation year on year for the entire 2nd control period from tariff year T1 to T5 i.e FY.2016-17 to FY.2020-21.

- a) The Authority carefully examined and considered the comments of BPCL and HPCL.
 - b) Regarding the views of IATA the Authority is of the view that as per AERA Guidelines for CGF, and since two ITP service providers are providing similar services at Bengaluru airport, Bengaluru, the service should be deemed as competitive.
 - c) Regarding the views submitted by IOSL, the Authority is of the view that even though the volumes are fluctuating IOSL financials are quite strong and healthy. Further, the Authority proposal for “no increase in tariff” is based after considering all the financials and not only the Return on RAB for IOSL, Bangalore. Even the regulatory operating profit wherein, total revenue and expenditure is considered, IOSL, Bangalore has earned a regulatory operating profit of Rs. 5.07 crores in FY 2015-16 out of regulated services revenue of Rs. 11.74 crore. IOSL has not done any significant capital expenditure in the first control period.
6. The Authority vide Public Notice No. 15/2017-18 dated 25th May,2017 notified the written comments of stakeholders received by AERA and after considering the comments received decided to regulate the tariff as proposed vide above mentioned consultation paper. Further, Authority decided to allow IOSL to continue the levy of tariffs existing as on 31.03.2016 for the period 01.04.2016 to 24.05.2018 as the concession period is expiring on 24.05.2018.

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 Bangalore Airport, Bangalore is “**Material but Competitive**”. Therefore the Authority adopts ‘Light Touch Approach’ for determination of tariffs for the 2nd control period w.e.f. 01.04.2016 to 31.03.2021.
- (ii) The tariffs for the first year (FY 2016-17), Second year (FY 2017-18) and for the third year (FY2018-19) upto 24.05.2018 of the Second Control Period for Into Plane Services Provided by M/s Indian Oil Skytanking Private Limited (IOSL) at Bangalore Airport, Bengaluru are determined as per **Annexure- I**.



- (iii) 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.
- (iv) The levy of tariffs shall be effective from the date of issue of order.

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


**(Puja Jindal)
Secretary**

To

**Indian Oil Skytanking Ltd.,
Fuel Farm Facility,
Bangaluru International Airport,
Devenhalli,
Bangaluru-560300.
(Through Shri T S Dupare, Chief Executive Officer)**

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



**भा.वि.आ.वि.प्रा.
AERA**

**Tariff Card of M/s IOSL for providing Into Plane Services at Kempegowda
International Airport, Bangalore**

[Amount In Rs. Per KL]

Period	Fuelling of Aircraft	Defuelling of Aircraft		Refuelling of Defuelled Product	
		Within 6 Hours	Beyond 6 Hours	Within 6 Hours	Beyond 6 Hours
01.04.2016 to 31.03.2017	268.03	268.03	321.63	294.82	321.63
01.04.2017 to 31.03.2018					
01.04.2018 to 24.05.2018					



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