

[F. No. AERA/20010/MYTP/IOSL-ITP/Del/2011-12/Vol.I]

Airports Economic Regulatory Authority of India

Order No. 3/2013-14

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

Date of Order: 4th April, 2013

Date of Issue: 16th April, 2013

In the matter of Annual Tariff Proposal for the Third, Fourth and Fifth tariff year of the First Control Period submitted by Indian Oil Skytanking Limited in respect of the Into Plane Service being provided at IGI Airport, New Delhi.

The Authority had considered the Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) for first tariff year (i.e. 2011-12) of the first Control Period commencing from 01.04.2011, submitted by Indian Oil Skytanking Limited (IOSL) for Into Plane Service (ITP) being provided at IGI Airport, New Delhi (Delhi Airport). The Authority, after due stakeholder consultation, had 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 tariff for the first Control Period and also determined the tariff for ITP services provided by IOSL for the period w.e.f. 28.07.2010 to 31.03.2011 and from 01.04.2011 to 31.03.2012 (first tariff year). Subsequently IOSL, submitted their ATP for second tariff year (2012-13) which was considered by the Authority and after due stakeholder consultations, Annual Tariff Order (ATO) No. 6/2012-13 dated 19.06.2012 was issued determining the tariff for second tariff year.

2.1 IOSL, vide letter dated 09.01.2013, submitted their ATP for the third, fourth and fifth tariff years of the first control period. The ATPs submitted by IOSL were put up for stakeholder consultation vide Consultation Paper No. 39/2012-13 on 27.02.2013. In response to the proposal contained in the Consultation Paper, comments were received from:-

- (i) Delhi International Airport Ltd. (DIAL);
- (ii) Hindustan Petroleum Corporation Ltd.(HPCL);
- (iii) Indian Oil Corporation Ltd. (IOCL);
- (iv) Bharat Petroleum Corporation Ltd. (BPCL);
- (v) Reliance Industries Limited (Reliance);



2.2 DIAL, HPCL and BPCL have agreed to the proposal in the consultation paper and have requested for the approval of the same. HPCL in their comments has requested that for the third tariff year the rates may be revised w.e.f. 01.04.2013 and order to this effect be issued before 31.03.2013. HPCL further stated that in case of any delay in issuing the order for third tariff year, the revision should be effective on prospective basis. For the tariff for fourth and fifth tariff year, HPCL has stated that rates as proposed be effective from prospective basis.

2.3 Reliance in their comments has, inter alia, submitted that the escalation should be limited to 'Input Cost' and not to service fee and IOSL should provide the breakup of the input cost. Total volumes handled should also be considered by AERA. Reliance further stated that the airlines are passing through a difficult time hence the issue of escalation of service fee on yearly basis needs to be critically reviewed by AERA on a rational methodology.

2.4 IOCL, in their comments, have submitted that the order for tariff for third tariff year be issued before 01.04.2013 and in case it is delayed the same may be issued on prospective basis. However IOCL has also stated that for the proposed 5% increase of tariff every year, the Authority has assumed a WPI of 5% or lower for all these years. In case the WPI for any subsequent year is lesser than 5%, the escalation may have to be lower than 5%.

3. IOSL submitted their views/clarifications on the comments of various stakeholders which are summarised as under:

- a) HPCL and IOCL have requested to approve the tariff before 31.03.2013. In case of any delay in issuing order by the Authority, HPCL and IOCL may incorporate the proposed tariff in their pricing w.e.f 01.04.2013.
- b) On the comments of IOCL, IOSL has submitted that WPI index for the last 5 years has never been less than 5%, hence considering this fact the escalation proposed is within the permissible limits.
- c) In respect of the comments of Reliance, IOSL has submitted that the suggestion made by Reliance is not in line with their agreement with DIAL and the ITP Services fee is a lump sum fee on per kilolitre basis, for provision of ITP Services Fee. The escalation proposed is in line with the Concession Agreement. Contractually, IOSL has not been provided the liberty of increasing their costs on the basis of input costs and Services Fee cannot be made function of the volumes and this methodology was neither envisaged in the tender nor in the Concession Agreement.

4. The Authority has observed that IOSL have sought approval for the following tariffs for the third, fourth and fifth tariff year i.e. 2013-14, 2014-15 and 2015-16 in line with the user agreement entered into with the suppliers:



Table- 1

All figures in Rupees per KL

Period	Fuelling of Aircraft	Defuelling Aircraft		Refuelling Defuelled Product into an aircraft	
		Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
01.04.2013- 31.03.2014	172.48	172.48	259.30	215.32	259.30
01.04.2014- 31.03.2015	181.10	181.10	272.27	226.09	272.27
01.04.2015- 31.03.2016	190.16	190.16	285.89	237.39	285.89

5. The Authority further observed that:

- (i) As per the MYTO, tariffs in respect of ITP service provided by IOSL at Delhi Airport are to be determined under Light Touch Approach and tariffs for first two years were determined accordingly.
- (ii) DIAL, HPCL and BPCL have agreed to the Authority's proposal in the Consultation Paper and have requested for the approval of the same.
- (iii) IOSL has requested to approve the tariff before 31.03.2013. In case of any delay in issuing order by the Authority, the fuel suppliers may incorporate the proposed tariff in their pricing w.e.f. 01.04.2013.
- (iv) Regarding the issue of WPI being less than 5% in any future year, IOSL has submitted that WPI index for the last 5 years has never been less than 5% and in case it is less than 5%, then they will be eligible for increase in charges based on such WPI instead of 5%.
- (v) Regarding the issue of examining pricing, volume etc. in respect of IOSL's tariffs determination, it was observed that the ITP service is not only material but also competitive at Delhi airport. Hence, applying "Light Touch Approach" is in line with the Authority's Guidelines and does not require an intrusive determination of tariffs.
- (vi) It was further observed that the escalation proposed is in line with the various agreements entered into by IOSL with the airport operator and its fuel suppliers.

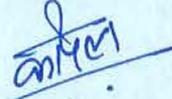
ORDER:

6. 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) The Tariffs for third tariff year (w.e.f. 01.04.2013 to 31.03.2014), fourth tariff year (w.e.f. 01.04.2014 to 31.03.2015) and fifth tariff year (01.04.2015 to 31.03.2016) of the first control period in respect of the ITP services rendered at IGI Airport, New Delhi, by Indian Oil Skytanking Private Limited are determined at the rates as at Table 1 of the Para 4 above.

By the Order of and in the
Name of the Authority



[Capt. Kapil Chaudhary (Retd.)]
Secretary

To

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

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AERA

