

Order No. 24/2018-19

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

Date of Issue: 10.10. 2018

**Service : Into-Plane Fueling Services
Service provider : M/s Indian Oil Skytanking Private Limited
Airport : Kempagowda International Airport, Bengaluru.**

In the matter of the Annual Tariff Proposal for the extended period of the contract with BIAL w.e.f. 24.05.2018 to 23.05.2019 for the second control period in respect of M/s Indian Oil Skytanking Private Limited for providing Into-Plane fueling service at Kempagowda International Airport, Bengaluru.

सत्यमेव जयते

M/s Indian Oil Skytanking Private Limited (IOSL) is one of the Into Plane Fuelling Service (ITP) provider appointed by BIAL at Kempagowda International Airport, Bengaluru. The Authority, vide its MYTO Order No. 19/2011-12 dated 25.10.2011, had decided to adopt 'Light Touch Approach' in respect of the Indian Oil Skytanking Private Limited for providing Into Plane Services at Bangalore airport for determination of tariffs for the first control period and also decided the tariff for first tariff year (2011-12). Subsequently, the Authority vide Order No. 25/2012-13 dated 29.10.2012, determined the tariff for second tariff year. Thereafter, the Authority issued Order No. 21/2013-14 dated 24.05.2013, determining tariffs for the third, fourth and fifth tariff year (FY 2013-14, 2014-15 and 2015-16) of the first control period.

2. The Authority vide Order No. 05/2017-18 dated 12.06.2017, decided to adopt 'Light Touch Approach' for determination of tariffs in respect of IOSL for its ITP services at Bangalore airport during the second control period with effect from 01.04.2016 to 31.03.2021. In the same order, the Authority also determined the tariff for first, second and third tariff year (01.04.2016 to 24.05.2018) as their concession agreement with BIAL expiring on 24.05.2018 only. In this order the Authority maintained the same rates as prevailing on 31.03.2016 which were determined vide order no. 21/2013-14 dated 24.05.2013.



3. The Authority, further vide interim Order No. 43/2017-18 dated 28.03.2018, allowed to continue levy of tariffs existing as on 31.03.2018, for a further period of six months w.e.f. 01.04.2018 or till determination of tariffs for the second control period whichever is earlier.

4. IOSL, now, vide letter dated 28.05.2018, has informed that their existing contract for ITP Services at Bangalore Airport which was valid upto 24.05.2018, has been further extended by one year by BIAL w.e.f. 24.05.2018 to 23.05.2019 vide supplementary agreement dated 23.05.2018. IOSL has furnished a copy of the supplementary agreement. IOSL, further vide letter dated 12.06.2018, submitted Annual Tariff Proposal for the extended period (24.05.2018 to 23.05.2019) of the contract with BIAL for second control period for consideration/approval of the Authority in line with the supplementary agreement. In the said proposal, IOSL sought 5% escalation in rates from existing rate of Rs 268.03 to Rs 281.43 per Kl for aircraft fueling. They also submitted the justifications for revision in their rates.

5. The Authority considered the submissions made by IOSL and issued a Consultation Paper No. 12/2018-19 dated 03.08.2018 wherein the Authority proposed that the 5% increase in tariff as sought by M/s IOSL may not be allowed and the same tariff as existing on 31.03.2016 (continued upto 24.05.2018) may be allowed for the extended period of the contract i.e. 3rd tariff year (24.05.2018 to 31.03.2019) and 4th tariff year (01.4.2019 to 23.05.2019) during second control period. The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal latest by 23.08.2018. In response to the proposal contained in the said Consultation Paper, comments have been received from M/s Hindustan Petroleum Corporation Limited (HPCL), M/s Indian Oil Corporation limited (IOCL) and from the service provider M/s Indian Oil Skytanking Private Limited (IOSL). The comments received from these stakeholders/IOSL were uploaded on AERA's website vide Public Notice No. 19/2018-19 dated 10.09.2018. Brief details of the comments received are given hereunder:

5.1 **M/s Hindustan Petroleum Corporation Limited (HPCL):** HPCL has stated that they agree to the proposal of the AERA to continue the existing tariff as on 31.03.2016 for the extended period of the contract with BIAL, however any revision in the charges should be approved on prospective basis only.

5.2 **M/s Indian Oil Corporation limited (IOCL):** IOCL has stated that they have no comments to offer as there is no change in the rates as proposed by AERA in the said consultation paper, however any revision in the charges should be approved on prospective basis only.

5.3 **M/s Indian Oil Skytanking Private Limited (IOSL):** M/s IOSL vide letter dated 23.08.2018, has submitted their comments on the proposal of the aforesaid consultation paper which are briefly mentioned hereunder:

5.3.1 Tariff for ITP services were determined by AERA effective 01.06.2015, thereafter no increase in the rates has been given while CPI has risen by 15.45% from 01.06.2015 to 24.05.2018 and WPI has increased by 5.81%. There is increase in operating costs also. As regards volume, the down side risk of volume reduction and consequential revenue reduction is assumed by them, as the trained manpower and its associated costs for the most critical



activity on an aircraft at ground, continues even when the volume decreases. IOSL has also stated that future capex requirement projected by them, is not considered and the Authority's selective approach to the guidelines and that too when their tariff proposal falls under the light touch approach is incorrect.

- 5.3.2 IOSL further stated that the Authority's approach to consider their tariff based on the average RAB is inappropriate, as the asset value decreases over the years and cost of maintaining these assets increases at a rate higher than at which it depreciates. Further, the service provided is primarily manpower driven and the employees cost increases substantially each year.
- 5.3.3 IOSL also stated that BIAL, vide separate agreements extended the contract by one more year to May 2019, giving a 5% escalation to both ITP operators (IOSL and BSSPL). The rates of both the ITP operators have to be common at a given airport in line with the agreements which the ITP operators have with BIAL.

6. Views of the Authority:

- 6.1 The Authority observed that IOSL has submitted tariff proposal with 5% increase in tariff for the extended period of the contract with BIAL effective from 24.05.2018 to 23.05.2019. The Authority has carefully examined and considered the comments of the stakeholder viz. HPCL and IOCL.
- 6.2 The Authority has also examined the comments of IOSL on the proposal of consultation paper i.e. last revision in the rates given by AERA, volumes, return on average RAB, capex, escalation mechanism of the rates stipulated in the concession agreement with Airport Operator, light touch approach for regulation, etc. The Authority reiterates that even in the light touch approach, the Authority examines margins, the growth in profit, return on average RAB, volumes as well as other aspects such as operating cost including manpower cost while considering the proposals. It is observed from the submissions made by IOSL that return on average RAB is high, operating profit is reasonable and Growth in volume is also reasonable. The Authority has examined and taken into consideration all these aspects of the proposal.
- 6.3 Considering all the above facts, the Authority has decided to maintain/continue the levy of tariffs existing as on 31.03.2016 for the extended period of the contract i.e. from 24.05.2018 to 23.05.2019 of the second control period also which were determined vide order no. 21/2013-14 dated 24.05.2013 and further maintained/continued at the same level vide order no. 05/2017-18 dated 12.06.2017 (01.04.2016 to 24.05.2018).



7. ORDER

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

- i. M/s Indian Oil Skytanking Private Limited to continue the levy of tariffs existing as on 31.03.2016 for the extended period of the contract i.e. from 24.05.2018 to 23.05.2019 of the second control period as at **Annexure-I**.

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)

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Annexure I

| M/s Indian Oil Skytanking Private Limited, Kempagowda International Airport, Bengaluru. | | | | | |
|--|---------------------------------|-----------------------------------|---------------------------|--|---------------------------|
| Tariff Card for the Extended Period of the Contract with BIAL of the Second Control Period (24.05.2018 to 23.05.2019) | | | | | |
| (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 |
| Tariff year 3 (24.05.2018 to 31.03.2019) Tariff Year 4 (01.04.2019 to 23.05.2019) | 268.03 | 268.03 | 321.63 | 294.82 | 321.63 |

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