

Airports Economic Regulatory Authority of India

Order No. 01/2019-20

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

Date of Order: 01st April, 2019

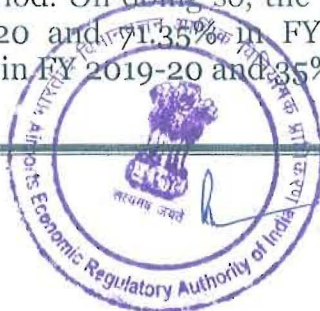
**Service : Into-Plane Fueling Services
Service provider : M/s Indian Oil Skytanking Private Limited.
Airport : Chhatrapati Shivaji International Airport, Mumbai**

Subject: To consider Annual Tariff Proposal fourth and fifth Tariff Years (FY 2019-20 and 2020-21) for the 2nd control period in respect of M/s Indian Oil Skytanking Pvt. Limited for providing Into Plane services at Chhatrapati Shivaji International Airport, Mumbai

M/s Indian Oil Skytanking Private Limited (IOSL) is providing into plane services at CSI Airport, Mumbai w.e.f. 01.01.2015. The Authority vide its Order No 28/2017-18 dated 08.12.2017 decided to adopt 'light touch approach' for determination of tariff for the second Control Period (2016-17 to 2020-21) and accordingly, determined the Annual Tariffs for the first, second and third tariff year (FY 2016-17 to FY 2018-19) of 2nd control period.

2. M/s IOSL vide their letter no IOSL-Mumbai ITP/AERA dated 29.09.2018 submitted their Annual Tariff Proposal (ATP) for determination of tariffs for 4th and 5th tariff year (2019-20 and 2020-21) of the second control period for providing Into Plane Services at CSI Airport, Mumbai. In the said proposal, M/s IOSL has sought an increase of 5% in 4th tariff year (FY 2019-20) and further 5% increase in 5th tariff year (FY 2020-21) of the 2nd control period. They have submitted the justification for revision in their tariff. M/s IOSL has also submitted the copy of the Annual compliance report for FY 2016-17 and FY 2017-18. However, M/s IOSL has not submit any evidence of Stakeholder Consultation on the proposed tariff.

3. The Authority observed that, the return on average RAB works out to 23.66%, 38.87% for FY 2016-17, FY 2017-18 (based on ACS) and at the existing rate i.e. Rs 265.72 for FY 2018-19, projected return on average RAB for FY 2018-19, FY 2019-20 and FY 2020-21 to be 63.68%, 58.92% and 52.20% respectively. The operating profit margin is 24% in FY 2016-17 and 32% in FY 2017-18 (based on actual ACS), and similarly the projected operating profit is 36% in FY 2018-19, 33% in FY 2019-20 and 28% in FY 2020-21. The Authority further analysed to taking into consideration the proposal of M/s IOSL for 5% increase in tariff year on year basis for the 4th and 5th tariff year of the second control period. On doing so, the projected return on average RAB will be 67.79% in FY 2019-20 and 71.35% in FY 2020-21 respectively. The operating profit margin will be 36% in FY 2019-20 and 35% in FY 2020-21.



4. The Authority considered the submissions made by M/s IOSL and issued the Consultation Paper No. 32/2018-19 dated 19.02.2019 wherein the Authority proposed that the 5% increase in tariff in the 4th tariff year (2019-20) and further 5% in 5th tariff year (2020-21) of Second Control Period as sought by M/s IOSL does not appear to be justified. Also no stakeholder consultation has been done by M/s IOSL. Final decision on tariff increase or alternately continuation of same tariff existing as on 31.03.2019 for the 4th & 5th tariff year (FY 2019-20 and FY 2020-21) of the second control period will be taken after due process of consultation. The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal latest by 12.03.2019. In response to the proposal contained in the said consultation paper, comments have been received from Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL), Bharat Stars Services Private Limited (BSSPL), and Hindustan Petroleum Corporation Limited (HPCL). The comments received from these stakeholders were uploaded on AERA website vide public notice No. 38/2018-19 dated 20.03.2019. Brief details of the comments received are given hereunder:

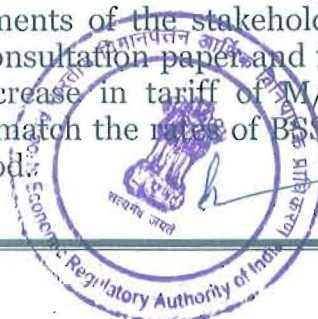
4.1 M/s Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL): MAFFFL has stated that the selection of the ITP service providers at Mumbai Airport was done through a competitive bidding process. The winning bidder was the entity which provided the lowest ITP services fee which was BSSPL. IOSL was L2 and required to match the same rate in order to be the 2nd operator to be selected. As per the tender conditions, the service providers are to compete on service parameters and not on price. MAFFFL has further stated that both the ITP service provider is required to provide similar service meeting the stringent DGCA norms and hence there should not be different rate for the same services. MAFFFL has no objections to increase in tariff of IOSPL with the increment of 5% year on year basis for so as to match the rates of BSSPL, for the remaining part of the control period.

4.2 M/s Bharat Stars Services Private Limited (BSSPL): BSSPL has stated that both BSSPL and IOSL were selected through a competitive bidding process conducted by MAFFFL and in line with our agreement, have historically operated at Mumbai on same ITP rates and service standards. The rates and other contract conditions for both the service providers are identical. Both the ITP service providers are required to match the contract conditions and service standards, the parity for ITP service tariff for both the ITP service providers' needs to be maintained. BSSPL has further stated that the tariff revision of 5% sought by IOSL for year T4 and T5 of the second control period may please be approved.

4.3 M/s Hindustan Petroleum Corporation Limited (HPCL): HPCL view is that since the service provided is of similar nature, into plane charges at CSI Airport should be same for all ITP operators, however any revision in the charges should be approved on prospective basis only.

5. Views of the Authority:

5.1 The Authority has examined the comments of the stakeholder's viz. MAFFFL, BSSPL and HPCL on the proposal of consultation paper and found that all three stakeholders has no objections to increase in tariff of M/s IOSPL with the increment of 5% year on year basis to match the rate of BSSPL, for the 4th and 5th tariff year of the second control period.



- 5.2 The Authority also noted that return on average RAB and operating profit is sufficient at the existing tariff rate i.e. Rs 265.72/KL for FY 2018-19, Considering all these financial data, the Authority opinion is that the existing tariff rate at Mumbai Airport for FY 2018-19 @ Rs 265.72/KL is sufficient to meet the revenue requirement of IOSL for FY 2019-20 & FY 2020-21. Therefore, the Authority, feels that any further increase in the tariff rate will only lead to increase in return on RAB and similar increase in profit margin of IOSL.
- 5.3 The Authority is of the view that the tariff determination should be based on the individual agencies revenue requirement for efficient operator and service level to be provided by the agency. It does not subscribe to the perception that the rate of the competitive firms should be the same or any contract condition of the concession agreement among the concessionaire has to be honoured which is not as per AERA's philosophy and guidelines
- 5.4 The Authority also feels that determining the same rates for competitive firms would mean preventing competing firms from further improving their efficiency and reducing their rates. Moreover, in case the rate of the efficient firm is increased to match the rate of the other firms, it would mean discouraging the efficient firm to charge lower rate and get more business and would constitute a disservice to the user.
- 5.5 Considering all the above facts, the Authority has decided to maintain/continue the levy of tariff as on 31.03.2019 for the 4th FY 2019-20 and 5th tariff year FY 2020-21 of the second control period.

ORDER

6. Upon careful consideration of material available on record, as well as submissions made by M/s IOSL, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:
- a. M/s Indian Oil Skytanking Private Limited to continue the levy of tariffs existing as on 31.03.2019 for the the 4th tariff year (2019-20) and 5th tariff year (2020-21) of the second control period as per the tariff card attached as "Annexure I".

Order issued in the Name of the Authority


(Geetha Sahu)
AGM (Fin)

To,
M/s Indian Oil Skytanking Private Limited
Fuel Farm Facility
Bangalore International Airport
Devanahalli
Bangalore-560300.
(Through: Shantanu Saxena, CFO)

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



Annexure-I

M/s Indian Oil Skytanking Private Limited, CSI Airport, Mumbai
 Tariff card for the (FY 2019-20) 4th and (FY 2020-21) 5th tariff year of the
 second control period.

(Amount in Rs. per kl)

| Tariff Year | Aircraft fuelling | Aircraft De-fueling | | Refueling of Aircraft with defueled product | |
|----------------------------|-------------------|---------------------|--------------|---|--------------|
| | | Within 6 hrs | Beyond 6 hrs | Within 6 hrs | Beyond 6 hrs |
| Tariff year 4 (2019-20) | 265.72 | 268.40 | 335.50 | 268.40 | 335.50 |
| Tariff year 5 (2020-21) | 265.72 | 268.40 | 335.50 | 268.40 | 335.50 |

