

IndianOil Corpn. Ltd. IndianOil Bhawan G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai - 400 051	Bharat Petroleum Corpn. Ltd. A 5 & 6, Sector 1 Noida 201301	Hindustan Petroleum Corpn. Ltd. Hindustan Bhawan - Gr. Floor 8 Shoorji Vallabhdas Marg, Ballard Estate, Mumbai - 400 001
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15th July, 2013

Capt. Kapil Chaudhary,
Secretary,
Airport Economic Regulatory Authority of India
AERA Building, Admin. Complex,
Safdarjung Airport, New Delhi- 110 003

Madam,

Sub: Consultation Paper No. 09/2013-14 dated 21st May, 2013 on Determination of Aeronautical Tariffs in respect of Rajiv Gandhi International Airport, Shamshabad, Hyderabad for the first control period (01.04.2011 - 31.03.2016)

Reference may kindly be made to Consultation Paper no. 09/2013-14 dated 21st May, 2013 on the subject. The matter regarding tariffs for the Fuel Farm services at Rajiv Gandhi International Airport, Shamshabad, Hyderabad greatly concerns the Oil Companies, and we three Oil Marketing PSUs would like to jointly submit our comments with regard to these tariffs as mentioned in the Consultation Paper in general, and the proposal contained therein in particular. We would also like to inform that the Oil PSUs were unaware of Stakeholder Consultation Meeting held on 18.06.2013, wherein we would have put forward our views given below, which may please be considered now.

- As mentioned in clause 17.24 of the Consultation Paper, we agree with the Authority that tariff for service of supply of fuel has to be determined by the Authority under AERA Act.
- With regard to paras 17.25 and 17.29 of the Consultation Paper, we would like to submit, that the Oil companies, as Suppliers at the airport, are the users of the fuel farm services and have entered into individual tri-partite Suppliers Agreements with the fuel farm service provider i.e. GHIAL as Airport Operator and M/s Reliance Industries Ltd. as Fuel Farm Operator.

The tariff for use of fuel facilities at the airport was not indicated in the Suppliers Agreement, however the same was mentioned in an e-mail message dated 6th Feb, 2008 from GHIAL, as Rs. 2170 per KL (Rs. 670 per KL towards Throughput Fee plus Rs.1500 per KL towards Infrastructure Recovery Charge, which includes fee towards Into Plane services). Copy of the e-mail is attached as **Annexure-I**.

- The Fuel Throughput charges of Rs. 2170 per KL demanded by GHIAL was considered exorbitant and the Oil PSUs had jointly protested against the same, vide communication ref. AV/SSB/GHIAL dated 1st July, 2008. A copy of the joint letter protesting against such exorbitant rate demanded by GHIAL is attached as **Annexure-II**. GHIAL did not have any reasonable consultation, stakeholder meeting or discussion for exchange of views with Suppliers or any back ground of such over-priced Fuel Throughput Charge. However, with no other alternative, and in order to ensure supplies to honour contractual commitments to Airline customers, the Suppliers had no option but to accept the tariff demanded by GHIAL, and since then have been releasing the payments to GHIAL at these rates.

As you may kindly be aware, the 'Throughput Fee' & 'Infrastructure & Opex Fee' charged to the Suppliers gets added to final ATF price for Airlines, thereby increasing the input cost to Airline Operations.

[Handwritten signatures: Kapil, RKRA, and another signature]

- d) It may further be noted that in response to Authority's letter ref. F.No.AERA/20015/FT/2010-11/305 dated 24th June 2010 addressed to GHIAL, the Oil PSUs had, vide joint letter dated 16th July, 2010, advised GHIAL to arrange necessary approvals from AERA for the throughput charges demanded by GHIAL. Copy of the joint communication dated 16th July, 2011 is placed at **Annexure-III**.
- e) In view of the above fact, which is on record, and which information might not have been made available to the Authority, we are of the opinion that 'reasonable objection from users of the fuel farm facilities' do exist, and that the tariffs for fuel farm services should therefore, not be determined under light touch approach and without consultation of Suppliers, which are the major stakeholders with regard to Fuel supplies at GHIAL.

We would further like to submit that, the existing Supplier Agreement, between Suppliers, GHIAL and the Fuel Farm Operator, which was renewed on 8th August, 2011 for a period till 8th March, 2014, clearly mentions that the Throughput Fee is required to be regulated by any appropriate authority as per the law, and that the regulated fee that attains finality, shall prevail. During renewal of Supplier Agreement, discussions were held between Suppliers and GHIAL and Suppliers had clearly stated their position with respect to Authority's role regarding determination of tariff, thereby implying that the charges should not be considered under soft touch. Relevant clause of Supplier Agreement is reproduced as under :

"The Throughput Fee plus taxes including service taxes and duties as applicable, levied on the Suppliers for each kilolitre of ATF delivered into the Aircraft at the Airport shall be notified by GHIAL to the Suppliers from time to time. In case Throughput Fee is required to be regulated by any appropriate authority as per the law, the regulated fee that attain finality, shall prevail. However, it is clarified that, Throughput Fee shall be deemed to have attained finality only after settlement of all consultations, contentions and/ or disputes, if any, between GHIAL and the regulator with regard to such regulated charges"

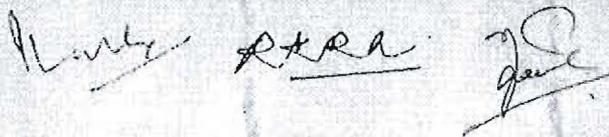
- f) As per para 17.29 of the Consultation Paper, it has been proposed by the Authority to 'accept HIAL submission that the excess yield (calculated on the existing yield and Eligible Yield per kilolitre) being charged in respect of fuel farm services may be considered towards defraying the aeronautical charges for the passengers'.

It is noted that the existing tariff of Rs. 2170 per KL is almost three times the eligible yield per KL (Rs. 728.40) calculated by the Authority, as mentioned in Table 90 of the Consultation Paper. There is a resultant excess charge of Rs. 1,441.60 per KL being levied by GHIAL presently. PSU Suppliers are of the opinion that such adjustment of excess yield from fuel farm service with other aeronautical charges for the passengers, may not be proper, and eligible tariffs should only be charged for respective services. This would otherwise tantamount to subsidization of other services by the fuel farm service.

- g) While on the subject, we would also like to bring to notice of the Authority the media reports about GHIAL's proposal to hive off its Fuel Farm business to a Special Purpose Vehicle (SPV) through a slump sale. The fuel-farm business will be transferred by GHIAL to the SPV, which will then divest 74% stake. As per the reports, the SPV will have equity and debt components of Rs. 57 Crore and Rs. 85.56 Crore respectively, making the asset value as Rs. 142.56 Crore.

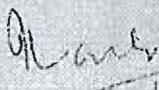
In view of the foregoing, PSU Suppliers - IndianOil, HPCL and BPCL comments are as follows:-

- a) Authority may consider and treat the joint letter ref AV/SSB/GHIAL dated 1st July, 2008 (Annexure-II) as objection to user agreement with regard to high Fuel Throughput Charges at Rajiv Gandhi International Airport, Shamshabad, Hyderabad.

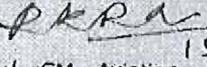


- b) The tariffs for fuel farm service provided by HIAL may not be determined under light touch approach, as proposed at para 13.a.iii of the Consultation Paper
- c) HIAL submission for considering the excess yield being charged in respect of fuel farm services towards defraying the aeronautical charges for the passengers, may not be accepted and only the actual lower eligible yield per KL may be approved as Fuel Throughput Charge applicable at the airport.
- d) The above revised tariff for fuel farm services at Rajiv Gandhi International Airport, Shamshabad, Hyderabad may please be made applicable on prospective basis, in order to avoid complications of adjustments of FTC already collected by Suppliers from the Airlines, as per GHIAL's demand, and paid to GHIAL.

Thanking you and assuring you of co-operation at all times.


15/7/2013
for ED - Aviation
Indian Oil Corp. Ltd.


15/7/13
for ED - Aviation
Bharat Petroleum Corp. Ltd.


15/7/2013
for GM - Aviation
Hindustan Petroleum Corp. Ltd.

R SAREEN
02/06/2008 03:25 PM

To: PRADEEP AGARWAL/HO/IOCL@IOCL, TS DUPARE/HO/IOCL@IOCL
cc: RAMOO RAM/HO/IOCL@IOCL, M MADHUSUDAN/HO/IOCL@IOCL,
MAINAK PATRA/HO/IOCL@IOCL, AS' BAMRAH/HO/IOCL@IOCL
Subject: Fw: Chargeable fee structure for Fueling facilities at GHIAL

For info. Pl discuss.

R. Sareen
General Manager (Aviation)
Indian Oil Corporation Limited, Mumbai, India
Tel.No. +91 22 26559500
Fax No. +91 22 26447984
MOBILE : +91 9820239928

----- Forwarded by R SAREEN/HO/IOCL on 02/06/2008 02:55 PM -----



Arthurp Rangel
<Arthurp.Rangel@gmrgroup.in>
02/06/2008 11:15 AM

To "ksrini@hpcl.co.in" <ksrini@hpcl.co.in>,
"ssbramha@hpcl.co.in" <ssbramha@hpcl.co.in>,
"mathursp@bharatpetroleum.in"
<mathursp@bharatpetroleum.in>,
"rajanv@bharatpetroleum.in"
<rajanv@bharatpetroleum.in>, "rsareen@indianoil.co.in"
<rsareen@indianoil.co.in>, "tdupare@indianoil.co.in"
<tdupare@indianoil.co.in>, "Winford, S. J. - EOL - MUM"
<swinford@essar.com>, "Momodou.Bah@shell.com"
<Momodou.Bah@shell.com>, "Sanjay.Kumar@shell.com"
<Sanjay.Kumar@shell.com>,
"srivastava.anoop@gmail.com"
<srivastava.anoop@gmail.com>, "ssprasad@indianoil.co.in"
<ssprasad@indianoil.co.in>, "ajay_singh@mrplindia.com"
<ajay_singh@mrplindia.com>,
"vkbhatnagar@mrplindia.com"
<vkbhatnagar@mrplindia.com>
cc "Janakiraman.Anantha@ril.com"
<Janakiraman.Anantha@ril.com>,
"Sajkumar.Kalpathy@ril.com"
<Sajkumar.Kalpathy@ril.com>,
"sanjaychauhan2005@gmail.com"
<sanjaychauhan2005@gmail.com>, "Ashim.P.Das@ril.com"
<Ashim.P.Das@ril.com>, "Srinivas.Raghavan@ril.com"
<Srinivas.Raghavan@ril.com>, "Pankaj.Jain@ril.com"
<Pankaj.Jain@ril.com>, Nupur Agarwal
<Nupur.Agarwal@gmrgroup.in>, "Ajay Kumar"
<AjayKumar@gmrgreup.in>

Subject: Chargeable fee structure for Fueling facilities at GHIAL

Dear All,

This is to advise that the charge levied by GHIAL for use of the Fueling facilities at the new Rajiv Gandhi International Airport at Shamshabad is at under:

- (i) Infrastructure Recovery Charge : Rs 1500/KL
- (ii) Throughput fee : Rs 670/KL

The above is for your information. We have advised the Operator suitably in the matter in respect of finalizing the Supplier Agreements.

Indian Oil Corpn. Ltd. G-9, Indian Oil Bhavan, All Yavar Jung Marg, Bandra (E), Mumbai : 400 051	Bharat Petroleum Corpn. Ltd. A- 5&6, Sector I, NOIDA: 201301.	Hindustan Petroleum Corpn. Ltd. 8 S V Marg, Ballard Estate, Mumbai: 400 001.
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Ref.No.: AV/SSB/GHIAL

1st July 2008

The CFO & Company Secretary
 GMR Hyderabad International Airport Ltd
 Samshabad
 Ranga Reddy Dist – 501 218
 Andhra Pradesh.

Kind Attn : Sh. Rajgopal Swamy

Dear Sir,

Sub : Disparity in the Throughput Fee between GHIAL & BIAL

As you are aware PSU Oil Companies, IOCL/BPCL/HPCL, have entered into a tripartite Supplier Agreement with GHIAL and RIL (as Operator). We were advised by GHIAL vide their message dated 6/2/08 that the payment towards Throughput Fee (Throughput Fee + Infrastructure Recovery Charge) amounting to Rs. 2170/- per KL plus Service Tax would be charged for making supplies of ATF through GHIAL appointed Operator / Into Plane agent at RGIA, Shamshabad.

The Oil Industry has been making the above payments. It was also brought to the notice of GHIAL at that point in time that the Charges are very much on higher side. You may also be aware that recently another Greenfield Airport at Bangalore started their operations. The facilities & services offered to the suppliers at BIAL and GHIAL are identical but the fee at BIAL for similar service to the Suppliers works out to around 1/3rd of the fee being charged by GHIAL for the purpose. The Throughput fees being charged by GHIAL is quite high by any standards.

We would like to bring to your notice that such wide disparity in the Throughput Fee for similar kind of services is not justified. You will appreciate; this results in unnecessary loading of fuel price, which is ultimately passed on to the Airlines. With the prices of ATF soaring high in line with the increase in the international crude prices, the Airlines have been looking very closely on each component of the price & have also started questioning the unreasonably high Infrastructure /

Indian Oil Corpn. Ltd. Indian Oil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (E), Mumbai : 400 051	Bharat Petroleum Corpn. Ltd. A- 5&6, Sector I, NOIDA: 201301.	Hindustan Petroleum Corpn. Ltd. 8, Shoorji Vallabhdhas Marg, Delhi: 400 001.
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July 16, 2010

Chief Executive Officer
 GMR Hyderabad International Airport Ltd.
 Rajiv Gandhi International Airport
 Shamshabad,
 Hyderabad - 500409

Dear Sir,

Sub : Throughput Charges - Approval of Airports Economic Regulatory Authority

You are aware that fuel throughput charges, on the sales of ATF affected at Shamshabad airport, are being paid by PSU Oil Marketing Companies to GHIAL, based on the rates advised vide your e-mail dated 6th Feb 2008. The throughput charges payable to GHIAL are in turn recovered by the PSU Oil Marketing Companies from airline customers on per KL basis through pricing of ATF supplied at the airport.

International Air Transport Association (IATA), has forwarded to us a copy of letter ref. F.No.AERA/20015/FT/2010-11/305 dated 24th June 2010 from Airports Economic Regulatory Authority of India (AERA) addressed to GHIAL (Annexure-I). It is inferred from this letter that the fuel throughput charges come under the purview of AERA. Also, as per the mentioned letter, imposition of new charge or change in rate of any existing fuel throughput charges requires previous approval of AERA and GHIAL has been advised by AERA to withdraw any increase affected in the throughput charges.

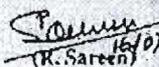
Further, we have also been informed by some of the airlines that IATA has advised them not to accept the increased throughput fees being charged by the Oil companies, since the same has not been approved by AERA.

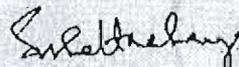
In view of the above, you are requested to arrange necessary approvals from AERA for the current rate of throughput charges. It is apprehended that in case necessary approval from AERA for the current throughput charges is not provided to the airlines, they may deduct the amounts towards throughput charges from payments due to Oil companies, for ATF supplied to them. It may please be noted that in such event, Oil Companies shall not be able to make the payment of throughput charges to GHIAL.

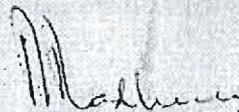
The above may please be treated as most urgent.

Thanking you,

Yours faithfully


 (R. Sareen)
 Executive Director (Aviation)
 IOCL


 (S.B. Bhattacharya)
 General Manager (Aviation)
 BPCL


 (R Radhakrishnan)
 General Manager (Aviation)
 HPCL