



Reliance
Industries Limited
Petroleum Business

RIL/AERA/02

13th March 2013

Capt. Kapil Chaudhary (Retd.)
Secretary,
Government of India,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

OSD/A
20/2/13
AGM (2013)
May 11 Consolidate

Dear Sir,

**Sub : Annual Tariff Proposal submitted by M/s Indian Oil Sky Tanking Ltd.,
for providing Into Plane Services at IGI Airport New Delhi - Reg.**
Ref : Consultation Paper No. 39/2012-13 dt 27.02.2013

(10)
20/2/13

This is with reference your letter D.O.AERA/20010/MYTP-IOSL/ITP/Del/2011-12/Vol-I/3275 of 28th February, 2013 on the subject.

We have gone through the subject consultation paper and the proposal submitted by M/s IOSL for Into-Plane Fee at IGI Airport, New Delhi.

We understand that the relevant extract of the Clause 2.4 of the concession Agreement between M/s IOSL and DIAL pertaining to the " Fee Chargeable by the Concessionaire " for ITP services reads as under :

Quote

2.4.1 The concessionaire shall charge the Air Carriers or the Suppliers the ITP Service Fee for each litre of ATF that is provided as part of the ITP Service provided. The ITP Service Fee shall be subject to a price cap in Rs./kilo litre terms and shall be charged as per Schedule H hereto.

The price cap for the first Financial Year of operations (in Rs./kilo litre) will be set out in Schedule H, and the same shall be escalated at a rate of 5% or WPI each year whichever is lower. The price cap for each of the subsequent years will be

- (a) *Effective from 1st day of April of the following year and*
- (b) *Escalated by WPI as on the first day of January for the respective year.*

The Concession agreement also provides that "...the WPI for all commodities announced by GOI will be considered." And that "...The price cap so prescribed shall be maximum rate and Selected Tenderer/Concessionaire will be free to offer a discount on these rates to the Air Carriers or the Supplier."

Unquote

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We bring the following to your kind attention:

1. The ITP Service Fee above would necessarily include the input Costs and a reasonable margin on the same for the Into Plane Operator in arriving at the Service Fee under consideration. It would be prudent to note that the provision for escalation, as prescribed in the concession agreement between M/s IOSL and DIAL should be limited only to the "Input Costs" and not to the net Service Fee as is being suggested. It would be worthwhile to mention that by increasing the overall Service Fee by 5%, as is being proposed by M/s IOSL in the Third Tariff Year (2013-14), it would necessarily result in increase in 5% on the margin buildup also (which is component of the total Service Fee) which we feel is not justified.
2. In order to understand the increase asked by the Service provider, we request that M/s IOSL should provide the breakup of input costs actually incurred over the projections of the Tariff Year 2012-13 and make available similar details of previous years for comparison. This would bring out the escalation in input costs over the previous year(s) and also transparency in determination of the Service fees.
3. Based on the data made available, a reasonable increase should therefore be made only on the input Cost Component of the Service Fee and the chargeable Service Fee should be appropriately fixed for Third Tariff Year.
4. In addition to the above, it would also be worthwhile for AERA to look at Service Fee as a function of the total volumes handled at DIAL. Since the fuel throughput is showing an upward trend as against the annual projections, AERA should look at establishing a methodology to factor for incremental earnings by the Into Plane operators as a result of additional throughput handled during the previous year. The methodology should also factor any aberrations in case any shortfall is encountered. Needless to mention that overall throughput handled also plays an important role in rationalising the Service Fee charged by the Into Plane Operator.

You are aware that the Service Fee is a critical element in the fuel cost for the Airline. The current circumstances which the Airlines are going through is well known to all and therefore this issue of escalation of Service Fee on an yearly basis needs to be critically reviewed by AERA for a transparent and rational methodology.

Looking forward to a favourable consideration on the matter.

Thanking you,

Yours faithfully,

For Reliance Industries Ltd.,

A handwritten signature in blue ink, appearing to read 'S. Mohanty'.

S. Mohanty
Head - ATF Business