

AV/TSD/BIAL- ITP
29th April, 2013

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA (AERA)
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi 110 003

176/OSD-II
ACM (SD)
11/5/2013
Pls. put up.

Kind Attn: C.V. Deepak
OSD - II

W
30/4/13

Without prejudice

Dear Sir,

Subject: Annual Tariff Proposal for the third, fourth and fifth year of the first Control Period for providing Into Plane Services at Bangalore International Airport, Bengaluru - Reply to Comments of Stakeholder - Shell MRPL

Ref: Your letter No. No. AERA/20010/MYTP/IOSL/ITP/BIAL/2011-12/Vol-I, dated 23rd April, 2013

We are in receipt of your above referred letter requesting for our comments on the letter dated 03/04/2013 from M/s. Shell MRPL Aviation Fuels and Services Ltd. setting out their comments with respect to Annual Tariff Proposal for the third, fourth and fifth year of the First Control Period submitted by IOSL for ITP Services at Bangalore International Airport, Bengaluru.

The following are our replies to the comments furnished by the Supplier, M/s. Shell MRPL Aviation Fuels and Services Ltd.:

- 1) With respect to Point No.1 regarding sufficient time of at least 60 days to be given to fuel suppliers for the new rates to come into effect:
 - a. As you may be kindly aware that the first control period as per MYTP commenced on 1st April 2011 in line with AERA Guidelines and the tariff submitted for the 5 year period had already been approved by AERA which contains an escalation of 5% on Year on Year basis. Since the rates are escalated at 5% as per the duly executed contracts, the rates are to take effect as per the contracts and the same have also been approved by AERA. Therefore the suppliers and all the other stakeholders are already aware of the escalation of 5% every year and accordingly they are expected to take appropriate caution while entering into fuel supply contracts with Airlines as typically the contracts are spread over two financial periods. Further, it is a normal practice that the suppliers incorporate a disclaimer clause in their Fuel Supply Agreements, for such levies and duties. Under such circumstances, we do not foresee any constraint on part of the suppliers to recover dues, if any, from their contracted airlines and hence any under-recoveries if claimed by any supplier, is not tenable.
 - b. Moreover, AERA approves the tariff after following due consultation process with the stakeholders and after ascertaining their views/comments. Therefore, the fuel



suppliers get sufficient time to know that after the consultation process, the new Tariff Rates are likely to be considered for approval by AERA.

Since the rates are as per the Agreements entered into and known in advance to the fuel suppliers and for reasons stated above, further notice of minimum 60 days to be given to the suppliers as suggested by M/s Shell MRPL in their letter is not warranted. Further these rates are already approved as per MYTP and published on AERA Website.

2) With respect to Point No.2 regarding likely increase in volumes and economics of scale:

- a. The parameters like economies of scale had already been factored in the rates and considering such factors, the escalation mechanism was incorporated in the relevant agreements.
- b. Furthermore, the ITP service provider takes risk for the downward trend in volumes as well, which is compensated by the escalation of rates. **It may please be noted that last year there was negative trend in the sales volumes at Bangalore.** We would like to bring to your notice that the input costs including salary & wages, electricity, diesel, water and other utilities have been increasing steadily every year. Considering all such factors, the escalation mechanism was incorporated in the Agreements and therefore incorporation of a suitable formula to take care of economies of scale, as suggested by MRPL-Shell, is not required since the various factors as mentioned above cannot be linked to volume of ATF.

3) With respect to Point No.3 regarding charges shall not be payable by the fuel supplier if there is any delay of intimation by the ITP Service Provider:

As already mentioned earlier under Point No.1, the rates for ITP Charges are already known to the Fuel Suppliers as provided in the agreements entered into with ITP Service Provider. The approval of tariff is conveyed by AERA and the same is hosted in the AERA Website. Therefore, sending a separate intimation to the fuel supplier by the ITP Service Provider is not warranted. In such cases the suppliers need to take proactive action for recovery of such dues from their contractual Airline customers.

We hope we have adequately replied to the points raised by M/s. Shell MRPL Aviation Fuels and Services Ltd.

We request that your approval for the Annual Tariff proposal for the 3rd, 4th, and 5th year of the first control period for providing Into plane services at Bangalore International Airport may kindly be expedited as per the rates proposed in the consultation paper.

Thanking you,

Yours truly,
for IndianOil Skytanking Ltd.,



T.S.DUPARE 29/04/2013
Chief Executive Officer