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AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

**Minutes of the Stakeholders Consultation Meeting held on
09th May, 2017 at 11:00 AM**

TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL AND ANNUAL TARIFF PROPOSAL (FY. 2016-17 TO FY. 2020-21) FOR THE SECOND CONTROL PERIOD IN RESPECT OF FOLLOWING CONSULTATION PAPERS:-

1. **CONSULTATION PAPER NO. 01/2017-18 : INDIANOIL SKYTANKING PVT. LTD. FOR PROVIDING INTO PLANE SERVICES AT CSI AIRPORT, MUMBAI.**
2. **CONSULTATION PAPER NO. 03/2017-18 : BHARAT STAR SERVICE DELHI PVT. LTD. FOR PROVIDING INTO PLANE SERVICES AT IGI AIRPORT, NEW DELHI.**
3. **CONSULTATION PAPER NO. 04/2017-18 : INDIANOIL SKYTANKING PVT. LTD. FOR PROVIDING INTO PLANE SERVICES AT IGI AIRPORT, NEW DELHI.**
4. **CONSULTATION PAPER NO. 05/2017-18 : INDIANOIL SKYTANKING PVT. LTD. FOR PROVIDING INTO PLANE SERVICES AT KIA, BENGALURU**

Stakeholder Consultation Meeting was convened by the Authority on 09.05.2017 at 11.00 AM in the Conference Room, first floor, AERA Building, Administrative Complex, Safdarjung Airport, New Delhi to elicit the views of the stakeholders on the Consultation Papers no. 01/2017-18, 03/2017-18, 04/2017-18 and 05/2017-18 dated 11.04.2017, 27.04.2017, 27.04.2017 and 03.05.2017 respectively issued by the Authority to consider the Multi Year Tariff proposal and Annual Tariff proposal (FY. 2016-17 to FY. 2020-21) for the second control period in respect of following Independent Service Providers for providing into plane services.

- (a) Indian Oil Sky tanking at Delhi, Mumbai and Bengaluru.
- (b) Bharat Star Service Delhi(P) Ltd at I.G.I Airport New Delhi

2. The Chairman, AERA welcomed all the participants to the meeting and briefed them of the subject of the consultation papers. Further, the Chairman advised the stakeholders to give their written comments/ views on or before Friday, the 15th May, 2017.

3. The comments of various stakeholders on the respective Consultation Papers are as follows:

(A) Indian Oil Sky tanking Private Limited-

Shri A.P. Acharya, Vice President & Shri Shantanu Saxena, CFO

Sh A.P. Acharya IOSL gave a brief introduction about the Company and the services being provided by IOSL. Vice President IOSL spoke on ITP operations of IOSL at Delhi, Mumbai and Bengaluru.

(i) INTO PLANE SERVICES AT CSI AIRPORT, MUMBAI

Sh A.P. Acharya stated that as per Consultation Paper 01/2017-18 for ITP operation at Mumbai, IOSL had sought 34% increase in the first tariff year and 8 % for subsequent years at Mumbai. He also stated that the Authority has not taken cognizance of IOSL letter dated 04.04.2017. Sh A.P.Acharya further stated that there were some elements which were unforeseen at the time of tender and have come up later like increased cost due to additional manpower to meet DGCA requirement, incremental cost of land rental as license fee was revised by MIAL from Rs.1,500/- per sq. mtr to Rs.8,200/- per sq. mtr., increased rentals for Office space & porta cabin being provided by MAFFPL @ Rs.38,000/- sq.mtr. per annum, incremental cost due to operations from two locations Sahar & Santa Cruz.

Keeping in view of the above factors he stated that IOSL is seeking increase of 12% in First Tariff year of second control period and there is increase in same way for second tariff year due to increase in land cost and there after they have sought increase of 8% in the subsequent years at Mumbai. He further submitted that ITP operations are manpower oriented and constitutes approximately 52% of the total operating cost. He stated that the Tariff determination based on return on average RAB seems inappropriate for ITP Business and needs due consideration. He also stated that growth in volume is not commensurate with increase in the operating cost.

CFO IOSL requested AERA not to consider PBT as the base for considering the Tariff Fixation. He also submitted that IOSL is required to upgrade equipment to BS-IV compliant which requires more capital investment and is also required to compromise on the safety as well as operational aspects. Chairman, AERA clarified that the return on RAB is not the only criteria, the Authority also considers the profit margin on revenue for making its assessment.

Sh A.P. Acharya requested Authority to determine the tariff for all the tariff years of second control period. In response, it was suggested by the Chairperson that initially tariff shall be determined for T1 and T2 and for the balance period the Tariff shall be determined on the basis of submission of Annual Compliance Statement from time to time by Independent Service Provider.

The Authority further advised IOSL to provide to the Authority the projected financial implications for two years after considering increase of 10% over tariff of 2015-16 along with impact of additional expenditure projected by IOSL.

(ii) INTO PLANE SERVICES AT I.G.I.AIRPORT, NEW DELHI

Sh A.P. Acharya, IOSL stated that IOSL has sought increase of 5% for MYTP for second control period pertaining to Delhi Airport. He further stated that DIAL is planning to commence operations at Terminal 2 at Delhi International Airport by shifting part operations from Terminal 1, which would result in increase in manpower cost and capex investment. It was explained that the T2 has a separate functional hydrant refuelling system designed to meet requirement of Code E/F type of aircrafts. But considering the type of aircrafts conforming to Code C that are being operated by LCCs at Terminal 1, the parking stands have been realigned whereby approximately 40% of the refuelling has to be undertaken through refuellers and 60% through hydrant dispensers. As refueller operations is a two man operations unlike single man refuelling in case of dispensers, this would result in immediate

requirement of additional manpower and induction of refuellers into the existing fleet. The costs can be worked out only after the firm operational plan is provided by DIAL. But this additional requirement is likely to come up by October 2017. IOSL requested AERA to consider these cost while determining the tariff of IOSL Delhi.

Authority suggested that IOSL may approach again, with detailed justification after commencement of T2 operations, if need is felt for revision in tariff.

(iii) INTO PLANE SERVICES AT KIA, BENGALURU.

Sh A.P. Acharya, IOSL stated that no increase is sought for MYTP for second control period pertaining to Bengaluru Airport.

(B) Delhi International Airport Limited (DIAL)

Ms. Madhu Arora, DIAL, said that they would file the written comments within stipulated time.

**(C) BHARAT STAR SERVICE DELHI PVT. LTD. (BSSPL)
Consultation Paper 03/2017-18 (ITP Operations at IGI Airport,
Delhi, BSSPL)**

Sh. Akash Tiwari, CEO, introduced the proposal of the company. He informed that BSSPL has sought 5% increase every year as there operation is manpower oriented. Sh Akash Tiwari also endorsed the request of IOSL to determine the tariff for 5 years. He also requested the Authority to consider the additional cost that would be incurred in case DIAL commences the operation of T-2 at Delhi. He said that BSSPL shall submit for Authority's consideration its proposal as and when T2 starts operations.

Sh. Akash Tiwari also requested AERA to consider the additional expenditure at Mumbai due to additional manpower, increase in lease rent by MIAL/MAFFPL, rent of Porta Cabin.

Sh. S. Samantha, Member, AERA, asked both IOSL and BSSP about the increase of revenue due to shifting of operations to T2 at Delhi. IOSL/BSSPL clarified that the Hydrant refuelling system at T2 is designed to meet the requirement of Code E and F type of Aircrafts. By shifting the operation of Code C type of Aircraft from T1 to T2, the Hydrant refuelling system around (11 or 12) will become redundant. Approximately 40% of the refuelling has to be done through two man operated refuellers for which additional investment would be required.

(C) BPCL

Mr. J.P. Singh, BPCL requested that the tariffs may be determined on prospective basis only.

(D) HPCL

Mr. J.S. Khanuja endorsed the views of BPCL for determination of tariffs on prospective basis only.

(F) International Air Transport Association (IATA)

Sh Amitabh Khosla, IATA stated that even though there may be two ITP service providers at an airport there is no clear evidence of effective competition. Further, Airlines have no choice to select ITP operators as the oil companies are selecting the ITP operators where oil companies have ownership stake. IATA suggested to freeze the tariff at F Y 2015-16 level in light of the growing volumes and ample profits and requested Authority to carry out intrusive regulation.

He also stated that both IOSL and BSSPL have proposed hefty increase in tariff at Mumbai due to increase in land lease rent levied by airport operator. He requested AERA to consider the Land license fee on Regulated service be treated as an Aeronautical Revenue and to be regulated by AERA. Chairperson, AERA said that the Authority shall look into the issue.

Regarding the issue of competition raised by IATA, Shri A.P. Acharya, and IOSL stated that the competition is at the time of tendering stage. The other ISP has to match the per KL rate quoted by L1. He agreed that there is no competition, however he stated that there is differentiation in service level conditions of ITPs.

The Meeting ended with a vote of thanks to the Chair.


(Puja Jindal)
(Secretary)

List of Participants:-

AERA

1. Shri S. Machendranathan, Chairman
2. Shri N. Shankar, Member-I
3. Shri S. Samantha, Member-II
4. Shri V. K. Sachdeva, DGM
5. Shri Rajesh Khanna, AGM
6. Shri Mohit Kaushish, Manager
7. Shri Jaimon Skaria, Manager
8. Shri Karri Narsimha, Sr. Superintendent

IOSL

9. Shri Shantanu Saxena, CFO
10. Shri A.P. Acharya, Vice President

DIAL

11. Ms. Madhu Arora, Manager (Regulatory)

BSSPL

12. Shri Akash Tiwari,
13. Shri Manish Chawla

IATA

14. Shri Amitabh Khosla

HPCL

15. Shri J. S. Khanuja

BPCL

16. Shri J. P. Singh