

# IndianOil Skytanking

ISO 9001:2008, ISO 14001:2004 Certified

Ref : IOSL / DEL – ITP / AERA – CP04 / APA  
Dated : 12<sup>th</sup> May 2017

To,  
The Secretary  
Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex  
Safdarjung Airport, NEW DELHI – 110 003.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
साफदरजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त  
डायरी नं० 7086  
तारीख : 15/05/17

**Subject: Consultation Paper No. 04/2017-18 dated 27th April 2017 to consider MYTP and Annual Tariff Proposal (FY 2016-17 to FY 2020-21) for the Second Control Period in respect of M/s IndianOil Skytanking Private Limited (IOSL) for providing into-plane services at IGI Airport, New Delhi.**

Dear Madam,

This has reference to the Stake Holders Consultation Meeting held at AERA Office on 09th May 2017 in regard to the subject.

We thank the Authority for adopting "Light Touch Approach" for determination of Annual tariff for providing Into-Plane Service for the 2<sup>nd</sup> Control Period w.e.f. 01<sup>st</sup> April 2016 to 31<sup>st</sup> March 2021.

We draw your kind reference to Salient feature No. 8 & 9 of the Consultation Paper, which gives a comparison of the various operating and financial parameters of the Company on a stand-alone basis for Delhi ITP Operations and the Company as a whole unit.

We hereby submit as under:

1. The Into-plane fuel take off (volume) being serviced by us at the Airport is inconsistent. It is largely a function of ATF consumption at the airport and volume of business awarded to us by the Oil Marketing Companies in accordance to the existing user agreements. The volume (KL) and the variation over the previous year, at the airport during the first control period is tabled as under:

Tariff Year	2011-12	2012-13	2013-14	2014-15	2015-16
Airport Volume (KL)	1811220	1526596	1580695	1559006	1674058
Var. (%)		-15.71	3.54	-1.37	7.38
IOSL Volume (KL)	1160693	953083	1155229	1147410	1286820
Var. (%)		-17.89	21.21	-0.68	12.15

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2. The annual growth rate compounded for the Airport fuel take off (volume) and our share of business for the 1<sup>st</sup> Control Period works out (-) 1.56% and 2.08%, respectively. Further, for the first tariff year T1 (2016-17) of 2<sup>nd</sup> Control Period our volume has marginally grown by 0.85% in comparison to T5 (2015-16) of the 1<sup>st</sup> Control Period, though the airport fuel off take (volume) has grown by 7.89% during the same period, notwithstanding the increase in operating costs.
3. With due consideration to a similar approach of considering the financial performance compounded on an annual basis for the first control period, the Revenues have grown by 6.14%, the regulatory operating profit by 4.45% and the expenditure has increased by 8.39%.
4. The return on Average RAB is a function of the capital employed. The ITP operations are **predominantly manpower** oriented and constitute 52 % of the total operating cost. Hence, the return on average RAB based on capital employed in a business which is inclined more towards manpower costs, apparently seems inappropriate for ITP Business. We thank the Authority for consenting to consider this aspect during while deciding on the tariff.
5. We commenced Operations at IGI Airport Delhi effective July 2010 with a fleet of 20 hydrant dispensers, a state of art refueling equipment. As per the Motor vehicle guidelines prevalent at Delhi, a 10-year-old vehicle would have to phased out and as per the Airport guideline, the support vehicles would have to replaced every five years. Considering the NGT directive for compliance to BS-IV norms, the constraints in availability & lead procurement period of BS-IV chassis from automobile manufacturers and the lead fabrication period involved post procurement of chassis, we have to invest in new equipment and relinquish the existing fleet in a phased manner beginning the Q1FY2018-19.

Further, with DIAL planning to commence operations at Terminal 2 ( the erstwhile international airport) by shifting part operations from Terminal 1, our manpower requirement and capex investment would increase substantially. The Terminal 2 has a separate functional hydrant refueling 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 refueling has to be undertaken through refuellers and 60% through hydrant dispensers. As refueller operations is a two man operations unlike single man refueling in case of dispensers, this would result in immediate requirement of additional manpower and induction of refuellers into the existing fleet. These costs have to be worked out only after the firm operational plan is provided by DIAL. But this additional requirement would be coming up during the current FY 2017-18. We thank the Authority for advising us to approach for revision in tariff, if required, in view of the additional manpower requirement for two men refueling and capex requirement for refuellers.



6. In regard to Authority's proposal to review the Annual Compliance to decide the tariff for the remaining three tariff years of the second control period, **we request that the 5% escalation year-on-year** as proposed be kindly considered in view of justification given above. We had submitted our tariff plan for the 2<sup>nd</sup> control period in March 2016 & apparently, there has been a delay of more than one year in bringing out the consultation paper. You would appreciate that delay in approval of rate poses constraints in recovery from Oil Marketing Companies apart from the financial impact it has on providing our services.


In view of above submissions, we humbly request the Authority to reconsider the proposal of 5% escalation year on year for the first two tariff year T1(2016-17) & T2(2017-18) and determine the tariff for the balance 3 Tariff years basis Annual Compliances and provide us 5% escalation year on year for all the tariff years on the second control period as per the tariff card given below :

Rate : Rs./KL

Tariff Year 2 <sup>nd</sup> Control Period	Aircraft Refueling	Aircraft De-fuelling		Refueling of Aircraft with defueled product	
		Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
T1 (2016-17)	199.67	199.67	299.51	249.59	299.51
T2 (2017-18)	209.66	209.66	314.49	262.08	314.51
T3 (2018-19)	220.14	220.14	330.21	275.18	330.21
T4 (2019-20)	231.15	231.15	346.73	288.94	346.73
T5 (2020-21) Upto 31 <sup>st</sup> July 2020	242.70	242.70	364.05	303.38	364.05

Thanking you,

Yours truly  
For IndianOil Skytanking Private Limited

  
Shantanu Saxena 12/05/12  
Chief Financial Officer  
**SHANTANU SAXENA**  
Chief Financial Officer  
IndianOil Skytanking Pvt. Ltd.  
Bangalore International Airport  
Bangalore