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# IndianOil Skytanking

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Ref. IOSL-CO/DELITP-CP09/2018-19

Date 13<sup>th</sup> August 2018

To,  
The Secretary  
Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex  
Safdarjung Airport  
New Delhi – 110 003  
Email : [puja.jindal@nic.in](mailto:puja.jindal@nic.in)

Subject : **Annual Tariff proposals for the Third, Fourth and Fifth tariff year of 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,

Reference to the Consultation Paper NO. 09/2018-19 dated 20<sup>th</sup> July 2018 on the subject and Authority's proposal upon examination of our submission is as under :

1. Growth in volume and revenue are highly dynamic as they are a function of commercial arrangements between the airlines and the Oil Marketing Companies with whom we have user agreements. The down side risk of volume reduction and consequential revenue reduction is assumed by us, as the trained manpower and its associated costs for the most critical activity on an aircraft at ground, continues even when the volume decreases. With increase in volume due to increase in air traffic movements, the resource requirement increases, which continue to remain deployed, even when the volume decreases. Hence, examination of our submissions to arrive at a conclusion only on the Annual Compliance Statement data is deprived of a holistic approach to the entire spectrum of the service provided by us.
2. The Authority's approach to consider our tariff based on the average RAB is grossly inappropriate, as the asset value decreases over the years and cost of maintaining these assets increases at a rate higher than at which it depreciates. Further, the service provided is primarily manpower driven and the employee cost increases each year. The rates at which our operating expenses increase each year has been provided in our submissions.
3. In the Consultation Paper No.04 / 2017-18 dated 27<sup>th</sup> April 2017 against the MYTP submitted vide our letter AV/AERA/DLI-ITP/MYTP 2016-17 to 2020-21 dated 08<sup>th</sup> March 2016, the Authority upon examination had proposed for 5% annual escalation in the ITP Fee to decide the Annual Tariff Proposal for the tariff period T1(2016-17) and T2 (2017-18) as per the tariff card given below :

  
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(Rs./KL)

Tariff Year	Aircraft Refuelling	Aircraft Defuelling		Aircraft Refuelling of Defuelled 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)	199.67	199.67	299.51	249.59	299.51

Though our proposal for 5% annual escalation for T1 and T2 was approved by the Authority vide Order 04 / 2017-18 dated 12<sup>th</sup> June 2017, it came into force effective 15<sup>th</sup> June 2017. There was a delay of 14.5 months in the tariff determination despite our submissions as per the guideline. **This delay has deprived the Company of escalated tariff which was due effective 01<sup>st</sup> April 2016.**

4. In accordance to the Order No.4, we had submitted our revised tariff proposal vide letter IOSL-DEL/ITP-ATP/FY 2018-19 dated 14<sup>th</sup> December 2017 in view of operations commencing at Terminal 2 of the IGI Airport with almost 40% of the flights being serviced through refuellers for timely revision effective 01<sup>st</sup> April 2018. However, the same rate was continued vide the Authority's interim Order No. 43/ 2017-18 dated 28<sup>th</sup> March 2018 and this Consultation Paper has been issued again on a delayed note. It is brought to the authority's attention that fuelling through refuellers is much more expensive than using hydrant dispensers.
5. The Authority in terms of powers conferred on it under section 15 of the AERA Act, has set in Guidelines for the purpose of discharging its functions under the Act and thus the Authority and the Service providers are to act in accordance to the guidelines. Thus, Authority's view that the Guidelines need not be followed in a routine manner is inapt. The Authority's selective approach to guidelines and that too when our tariff proposal falls under the light touch approach is inappropriate. Rather the process of Authority's examination is at par with price cap method. Thus the Guidelines set for discharging its functions is being defeated.
6. The proposed 5% escalation sought would only increase the cost by 1 paise per litre of fuel delivered to the end consumer. Even with this increase, the ITP Service fee is only 0.3% of the current price of ATF at Delhi. Hence, the Authority's concern regarding the burden on the ultimate consumer due to extra ordinary profits accrued by service providers like us, is thus unsubstantiated and inappropriate. In reality, the ultimate consumer is burden by factors other than our services. But denial of this escalation results in decreased ability to plan growth, upgrade systems, processes, leverage IT and upgrade safety features at par with international standards on a long term basis. Delayed approvals and that too on prospective basis results in loss of revenue as well as deferring planned upgradation / replacement of equipment and systems. Further, the manpower recruited remains unproductive till he acquires the skill sets as per approval of DGCA which ranges anywhere between 4 to 6 months.

  
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7. It is felt that demonstrating efficiencies in our operation by being lean, proficient and optimisation of our processes is being punished rather than being rewarded. Thus it ushers in a discouraging environment for investor sentiments, particularly foreign investors which brings in international best practices and safety standards. This would also discourage any new player intending to enter into this segment thus defeating the purpose of lowering costs for the end consumer.
  
8. The Authority vide its Consultation Paper No. 10/2018-19 dated 01<sup>st</sup> August 2018 in respect to tariff proposal for the third, fourth and fifth tariff year of the Second Control Period in respect of M/s Bharat Star Service (Delhi) Private Limited for providing into-plane services at IGI Airport, New Delhi has proposed the current rate of Rs.199.67 per KL to continue until 31<sup>st</sup> March 2019 and then provide for 5% escalation on the rate for the T4 ( FY 2019-20) and T5 (FY 2020-21 until 31.07.2020). This is against the basis on which, the Into-plane service providers are selected through a competitive bidding process and the ITP Fee must remain the same for both service providers at an airport.


In view of the above submissions, it is humbly requested that our proposed tariff escalation of 5% year-on-year may please be considered as per the tariff card given below :

(Rs./KL)

Tariff Year	Aircraft Refuelling	Aircraft Defuelling		Aircraft Refuelling of Defuelled product	
		Within 6 hrs	Beyond 6 hrs.	Within 6 hrs	Beyond 6 hrs.
T3 (2018-19)	209.65	209.65	315.19	261.72	315.19
T4 (2019-20)	220.13	220.13	330.95	274.81	330.95
T5 (2020-21) 01 <sup>st</sup> Apr 2020 to 31 <sup>st</sup> July 2020	231.14	231.14	347.50	288.55	347.50

Thanking you.

For, IndianOil Skytanking Private Limited

  
 12/06/18  
 Shantanu Saxena  
 Chief Finance Officer  
**SHANTANU SAXENA**  
 Chief Financial Officer  
 IndianOil Skytanking Pvt. Ltd.  
 Bangalore International Airport  
 Bangalore