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DELHI AVIATION FUEL FACILITY (P) LTD.

New Udaan Bhawan ,Terminal 3, opp ATC complex ,IGI Airport ,New Delhi-110037

Dated: September 15, 2010

Mr. Sandeep Prakash

Secretary,

Airports Economic Regulatory Authority of India

Administrative Complex

Safdarjang Airport

New Delhi - 110 003

*May like to see, specifically
part II.*

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Sub: Submission of response on Consultation paper No.5/2010-11

Dear Sir,

This is in reference to Consultation paper on **AERA (Terms and Conditions for Determination of Tariff for Service Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2010**". Issued by Airport Economic Regulatory Authority "AERA" on 2nd august 2010.

At the outset, we would like to place our sincere appreciation to AERA for the giving us opportunity for participating in the airport regulation framework.

The response to the consultation Paper has is enclosed for your kind reference.

In case, AERA requires further clarification on the response, we would be glad to address the same.

Thanking you

Yours Faithfully

For DELHI AVIATION FUEL FACILITY (P) LTD.

[Signature]

Prabin Dokania

Chief Financial Officer

*1529/Secy/10
14/9/10*

*147/CH/AERA
17/9/10*

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Sent to PWC

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At the outset, we welcome the setting up of the Airport Economic Regulatory Authority "AERA" or "Authority". We are looking forward to an affirmative approach and role played by AERA in developing and fostering the growth in Indian Aviation. In this context, we are looking forward to working with AERA on related matters to ensure fair and reasonable objective of all stakeholders are met.

We are responding to the recent Consultation Paper No. 05/2010-11 issued by AERA on Economic Regulation of Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft.

We would respond to the Consultation Paper point wise as under:-

1. BACKGROUND OF DELHI AVIATION FUEL FARM PRIVATE LIMITED "DAFFPL"

Delhi International Airport Private Limited "DIAL" had issued a Tender for Finance, Design, Development, Construction, Operation, Management, Maintenance and Transfer of the Aviation Fuel Facility at Terminal-2, Terminal-3 and Cargo Terminal of IGI Airport on November 24, 2008. The following parties were in fray:

1. IOCL
2. BPCL
3. HPCL+ Chevron
4. Reliance
5. Shell and
6. Sky Tanking + IOT

The tender was responded and the bids (both Technical and Financial) were submitted to DIAL.

The criterion for the award of concession was to first qualify technically and thereafter on qualification, financial bids were opened. The bid process was transparent and global practices for the market price discovery were adopted.

Based on the evaluation of the financial bids and the independent due diligence by DIAL, the Facility Charge quoted by consortium of IOCL and IOSL was found to be lower than all the bidding participants. The capping of the infrastructure charge by DIAL, over the period of concession (i.e 25 years), by choosing the bidder with the least Return expectation is in the interest of the users/airlines. We strongly see the aligned objectives of AERA and DIAL in this regard.

During the award process of the concession to IOCL, Ministry of Petroleum and Natural Gas "MoPNG" and Ministry of Civil Aviation "MoCA" intervened based on the BPCL request for inclusion in the Project. Accordingly during the meeting on April 08th 2009 chaired by Secretary (Coordination) Cabinet Secretariat, it was decided that IOCL, BPCL would have

Pradeep Panichy
15/09/2010

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37% equity each and BPCL would transfer the its Existing Facility located at IGI Airport to the New JV i.e DAFPI. on an agreed valuation formula of "Replacement Cost Less Depreciation" without altering the original bid conditions.

11. DEFENITION OF SERVICE PROVIDERS

In terms of Section 2 sub section (n) of the AERA Act, 2008, the term "Service Provider" is defined as under:

"means any person who provides aeronautical services and is eligible to levy and charge user development fee from the embarking passengers at any airport and includes the authority which manages it;"

On the plain reading of the aforementioned definition, two principles are clearly defined by the AERA Act:

1. Provision of Aeronautical Services and
2. Eligibility to levy and charge user development fee from embarking passengers at any airport.

As DAFPI, we are in concurrence of provision of Fuel Farm Services to the Airlines and henceforth, the services rendered are aeronautical in nature. As regard, the second provision, DAFPI is not eligible to levy and charge user development fee from any embarking passengers. Therefore, we don't fall in the category of service providers as per definition of the AERA Act and hence are not within the purview of the draft guidelines as enshrined by the Authority.

In view of 2 above , we are not offering our detailed comments , however in the event AERA holds a different view as regards definition of service provider and its applicability on the service providers other than those covered by the above definition , we will like to have an opportunity to make our representation .

Pradeep Panikla
Authorized Signatory 15/09/2010