

[F. No. AERA/20010/MYTP/MAFFFPL/ITP/Mum/2014-15]
Airports Economic Regulatory Authority of India
Order No.01/2015-16

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

Date of Order: 27th March, 2015
Date of Issue: 08th April, 2015

Service: **Fuel Infrastructure Charges (FIC)**
Airport: **CSI Airport, Mumbai**
Service provider: **M/s Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFPL)**

Ad-hoc Tariff Order effective from 01.02.2015 upto the date of implementation of the tariff to be determined under the intrusive price cap regulation for MAFFFPL

This Authority, vide Direction No. 04/2010-11 dated 10.01.2011, had issued the Guidelines [The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft), Guidelines, 2011] prescribing procedures, terms and conditions for determination of tariff for the above mentioned regulated services being provided by Independent Service Provider(s). As per the Guidelines, the service providers are required to submit Multi Year Tariff Proposal (MYTP) for the five-year control period and Annual Tariff Proposal (ATP) for individual tariff years of the Control Period.

2. Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFPL), vide their letter dated 14.11.2014, had approached this Authority seeking interim tariff approval for Fuel Infrastructure Charges (FIC) in respect of providing the Fuel Storage and Handling services at CSI Airport, Mumbai.

3. The Authority had considered in detail the proposal submitted by MAFFFPL for Fuel Infrastructure Charges at CSI Airport, Mumbai and after careful consideration of the proposed MYTP and ATP submitted by the MAFFFPL, decided to make the following proposal for stakeholder consultation:

3.1 Prima-facie, there is no evidence that there is an unambiguous user agreement on the rates proposed by MAFFFPL with the Airlines, who are the users of the fuel. Therefore, for the first control period, the Authority may adopt intrusive price cap regulation.

3.2 The five year first control period in the case of MAFFFPL, shall be from 1st April, 2014 up to 31st March, 2019.

3.3 The infrastructure charge in respect of the fuel farm services provided by MAFFFPL at CSI Airport, Mumbai may be determined, for the present, @ Rs.710/KL from the period 14.01.2015 to the date of commencement of



operations by MAFFFPL up to date of implementation of the tariff determined under the intrusive price cap regulation for MAFFFPL.

3.4 The revenue so collected by MAFFFPL during such period shall be adjusted from the Aggregate Revenue Requirement for the first control period starting w.e.f. 01.04.2014.

3.5 MAFFFPL is expected to make written submission of their MYTP as per the Guidelines of the Authority (CGF Guidelines) for determination of tariffs under price cap for the first Control Period w.e.f. 01.04.2014 to 31.03.2019 within a period of 1 month from 19.02.2015 which will be analysed by the Authority and a separate proposal will be placed for stakeholder consultation through a separate Consultation Paper.

4. Accordingly a Consultation Paper No. 17/2014-15 was issued on 19.02.2015 with stakeholder Consultation up to 02.03.2015. The last date for submission of comments was further extended up to 09.03.2015 vide Public Notice No. 19/2014-15 dated 02.03.2015 based on request received from IATA.

5. In response to the proposal contained in the Consultation Paper, comments were received from the following stakeholders (Copies of the stakeholder comments vis-à-vis the response of MAFFFPL are placed at **Annexure I** collectively):

- (i) United Parcel Service Co
- (ii) Sri Lankan Airlines
- (iii) International Air Transport Association
- (iv) HPCL
- (v) IOCL
- (vi) African Airlines Association
- (vii) Lufthansa Group
- (viii) MIAL
- (ix) Essar Oil
- (x) Air France – KLM
- (xi) Air Mauritius Limited
- (xii) Bharat Petroleum Corporation Limited (BPCL)

6. The Authority notes that the Oil PSUs, namely HPCL, BPCL and IOCL in their comments to the Consultation Paper No. 17/2014-15 dated 19.02.2015, have stated that while the existing facilities of these Oil companies have been taken over by MAFFFPL w.e.f. 14.01.2015, the effective date of implementation of the infrastructure charges should be 01.02.2015 as the Oil Companies had needed time to inform the airlines of the change after the facility was taken over by MAFFFPL.

7. The Authority further notes that other stakeholders, namely IATA and certain foreign airlines, in their comments have largely stated that with the introduction of Integrated Fuel Farm facilities at CSI Airport, Mumbai, merely the function being earlier performed by the three Oil marketing PSUs function has been transferred to MAFFFPL, and therefore, it is fair to expect that the overall cost for supply of fuel at CSI Airport, Mumbai, would not be different from pre-MAFFFPL era. They have therefore inter-alia requested that the implementation of infrastructure fee in respect of Integrated Fuel Farm facilities being operated by MAFFFPL at CSI Airport, Mumbai should be made conditional on an equivalent adjustment in the supplier differential, as this, as of now, is just a transfer of existing assets and operations from the Oil Marketing PSU suppliers to MAFFFPL, with no additional cost implications.



8. The comments of the stakeholders were forwarded to MAFFFPL for their comments. MAFFFPL vide their submission dated 16.03.2015 furnished their comments on the various observations made by the stakeholders on the Authority's proposal contained in the Consultation paper. MAFFFPL have in their submission, justified the proposed Fuel Infrastructure Charges, stating that it is for the complete fuel farm operations, including the new Hydrant system with higher capacity, improved safety and environmental features developed by MIAL along with the new integrated terminal, which had been transferred to MAFFFPL.

9. The Authority notes that MAFFFPL has submitted that:

"1. MAFFFPL as a JVC was formed on October 28, 2014 and has been functioning since then. Even before the date of this formation, considerable activities towards the formation were undertaken and the expenses on behalf of MAFFFPL were incurred by the shareholders. The same are payable by MAFFFPL and within this financial year.

2. The transfer of assets of the shareholders, were transferred to MAFFFPL on 13th January 2015 and MAFFFPL is the owner of these assets and is responsible for all expenses and liabilities.

3. Without the rate approval of tariff from AERA, MAFFFPL is not able to achieve the financial closure and even the working capital is not being released by the Bankers.

4. With no revenues or funding, MAFFFPL will be in serious financial constraints and this can affect the operations of MAFFFPL and resultant operations at the CSI Airport.

In view of all above MAFFFPL once again requests the Authority for an early approval of the Interim tariff."

10. From the submissions of MAFFFPL, the Authority notes that different Oil Companies and airlines have entered into separate agreements for supply of fuel at CSI airport, under two types of ATF pricing mechanism, one being Posted Airfield Price (PAP) and other the Formula Pricing. In case of PAP, the price of fuel is inclusive of the FIC and Into Plane (ITP) charges, and therefore charges levied by MAFFFPL on the suppliers would not be over and above the PAP. In case of Formula Pricing, the suppliers are guided by the agreement with the airlines in the standard IATA format, where fixed differential is charged along with airport fees as separate line item.

11. The Authority further notes that in response to a query regarding the cost of operation of the Oil PSUs received from the Competition Commission of India (CCI), MAFFFPL had inter-alia stated that *"the prior cost of operation is higher by at least RS. 14 per KL than cost post creation of the integrated fuel farm facilities in Mumbai Airport, thereby evidencing significant cost savings"*. Thereafter, MAFFFPL, in its submissions before the Authority had reiterated that with the start of operations by MAFFFPL, wherein the ITP services and fuel farm services are segregated and regulated, there would be considerable savings in the overall cost of operations. Therefore, the Authority, based on the commitments given by MAFFFPL, expects it to take up the matter with the Oil Companies, so that the introduction of fuel infrastructure charges does not lead to an increase in the overall price of Aviation Turbine Fuel at CSI Airport, Mumbai.



12. In compliance with the direction of the Authority, MAFFFPL has submitted their MYTP as per the Guidelines of the Authority (CGF Guidelines) for determination of tariffs under price cap for the first Control Period w.e.f. 01.04.2014 to 31.03.2019, which is to be examined by the Authority and a separate proposal would be placed for Stakeholder's comments.

ORDER

13. Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13 (1) (a) of the Airports Economic Regulatory Authority of India Act, 2008, hereby orders that:

- (i) The infrastructure charge in respect of the fuel farm services provided by MAFFFPL at CSI Airport, Mumbai may be determined for the present @ Rs. 710/KL (purely on ad hoc basis) with effect from 01.02.2015, i.e. the date of commencement of operations by MAFFFPL, up to date of implementation of the tariff to be determined under the intrusive price cap regulation for MAFFFPL.
- (ii) The revenue so collected by MAFFFPL during such intervening period shall be adjusted from the Aggregate Revenue Requirement for the first control period starting w.e.f. 01.04.2014.
- (iii) This levy shall not impact on the overall price of fuel at CSI Airport, Mumbai.

**By the Order of and in the
Name of the Authority**


(Alok Shekhar)
Secretary

To,

**M/s Mumbai Aviation Fuel Farm Facility Private Limited,
MIAL 2nd Floor, Terminal 1 B-Arrival, CSI Airport,
Santacruz,
Mumbai-400099
(Through: Shri Shyam Mustyalwar, Chief Executive Officer)**



Mr Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India,
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Administrative Complex,
Safdarjung Airport,
New Delhi - 110003
Email: alok.shekhar@gov.in
Tel: 011-24695042
Fax: 011-24695039

March 3, 2015

Dear Sir,

RE: FUEL INFRASTRUCTURE CHARGES PROPOSED BY MUMBAI AVIATION FUEL FARM FACILITY PRIVATE LIMITED AT CSI AIRPORT, MUMBAI. (CONSULTATION PAPER NO. 17/2014-15 ISSUED ON 19 FEBRUARY 2015)

The African Airlines Association (AFRAA) is an air transport trade organization which represents the interests of most major airlines in Africa representing over 80% of all international traffic to and from Africa including all major carriers operating to Mumbai. We would like to bring to your attention on behalf of our members flying to Mumbai airport a major concern about the potential significant rise in fuel costs at Mumbai once the Mumbai Aviation Fuel Farm Facility Limited (MAFFFL) is allowed to impose an Infrastructure Fee at the airport.

AFRAA members are of the view that an entity transfer of asset ownership and facility operations should not necessarily result in an increase in overall costs. Our concern is that there is indication that one of the current PSU suppliers at Bombay has no intention of reducing supplier differential to the MAFFFL equivalent of the infrastructure fee. The impact of this is that at Bombay, our members would essentially have to pay double for fuel infrastructure fees

AFRAA on behalf of its members would wish to raise the following concerns:

1. RETROACTIVE FIRST CONTROL PERIOD

The proposal to have the first control period from 1st April 2014 raises concern especially as MAFFFL had not yet taken over ownership and operation of the infrastructure in April 2014. The fuel infrastructure fee is already included in the

fuel contract price by fuel suppliers. The logical and fair practice would be to implement the new Infrastructure fee once there is an alignment which will see a corresponding equivalent reduction in infrastructure fee in the current supplier differential.

The date for start of the 5-year control period could be 1 April 2015 or later depending on when the condition of no increase in overall fuel cost (sans product cost) at BOM could be met.

2. INFRASTRUTURE FEE

AFRAA on behalf of its members strongly urges Airports Economic Regulatory Authority (AERA) to make implementation of the Infrastructure Fee by MAFFFL conditional on an equivalent adjustment in the supplier differential as this is just a transfer of existing assets and operations from the PSU suppliers to MAFFFL with no cost implications.

3. CURRENT FEE

It has been demonstrated that it is possible to operate efficiently at a charge of Rs640/KL and we propose that this should be used as the benchmark for efficient operations until such time when a new benchmark is available. The average proposed charge of Rs 710/KL has not yet been justified and as stated earlier this amount should be deducted from supplier's differential to avoid double payment.

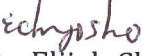
4. PRICE CAP

AFRAA supports AERA's proposal for intrusive price cap regulation especially given the presence of monopoly power of the fuel infrastructure provider to impose a rate for infrastructure usage that is far higher than what would typically apply if effective competition is present.

Given the significant cost implications and the importance of this issues, AFRAA on behalf of its members would like to seek an extension of one week in the deadline for written submission to the Consultation Paper (to **9 March 2015**) to allow all airlines to make their submissions to AERA.

We look forward to a favorable response from you

Yours faithfully,


Dr. Elijah Chingosho
Secretary General



09 March 2015

Shri Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi 110003

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Dear Shri Shekhar,

MAFFFL FEE: (CONSULTATION PAPER No. 17/2014-15)

Greetings from Air Mauritius. Air Mauritius is the national carrier of the republic of Mauritius and our two countries enjoy a privileged cultural, economic and political relationship. Air Mauritius operates flights between Mauritius and India since 1981. We currently operate to Mumbai, Delhi, Bangalore and Chennai.

We refer to the representation made by IATA dated 6th March 2015 with regard to the Fuel Infrastructure Charges that is being imposed on Airlines as from 1st Feb 2015. We would like to take the opportunity to draw your kind attention to this issue and hereby express our concern on the economic impact and additional financial burden this represent to our Airline.

There is a general feeling in the market that Jet Fuel prices have come down globally and thus Airlines are benefitting tremendously from this drop and making significant savings. However, the reality is quite different and we, like many other carriers, are suffering from other economic factors that have eroded our margins. Air Mauritius main revenue is in Euro while our costs are primarily in USD. The huge decline in Euro/ Dollars parity has grossly reduced our bottom line. Furthermore, there is cut throat competition in the Aviation market, in particular from the Middle East carriers that have declined our load factors. The combined effect of only these two factors make it that we as an Airline have reached a point where any increase in charges no matter how much, becomes a struggle for survival.

Air Mauritius commends the improvement brought to Airport Infrastructure in India and in particular at Chatrapati Shivaji International Airport, Mumbai. While appreciating that huge investment have been made by relevant stakeholders, in the matter of 'Determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport, Mumbai, we find these charges to be too high.

.../2

The Fuel Infrastructure Charge will have significant implications on Air Mauritius's operating costs. The long term impact of such charges may also affect the viability of our airline's operations at the airport especially if we are imposed such a charge and no other options are available to us. We would request that the viability assessments calculate fundamental aspects of development economics for the MAFFFL be revisited and this charge be revised downwards to an acceptable level. In this context we fully support the representations made by IATA and wish to further reiterate that Air Mauritius will be doubly affected on this route; first due to additional charges on Jet Fuel and secondly, we already having the requirement to carry **extra fuel** on this due to the fact that we are not allocated our optimum Flight Levels (Flying Altitudes) by Air Traffic controls (Restrictions on Flight Levels on route A474 due to Mumbai FIR FLAS).

Air Mauritius currently uplifts some 2,000,000 USG of Jet fuel in Mumbai. The increase in throughput fees imposed on us is to the tune of 7.05 USC/USG. This alone will represent an additional cost of about USD 141,000 annually. All this is based on our current fuel supply contract with the local fuel suppliers and as it stands this additional item is a charge that we are unable to control due to the monopolistic nature of MAFFFL. Our concern is therefore exacerbated by the fact that in future this already excessive charge could be increased putting in jeopardy our whole operations. Our understanding was that part of this fee was to be offset by a decrease in the applicable differential fee paid to suppliers since they will now be less involved in the maintenance costs of the Fuel farm at Mumbai airport. However, we find that these charges have been cumulated to existing fees.

Air Mauritius aims to consolidate its operations to Mumbai with a view to boost travel tourism and trade between the two countries. However, in addition to intensifying competition, the increasing costs of operations with the imposition of such additional charges will affect the very sustainability of the operations let alone scope for future development of the route.

Sir, we humbly request your intervention in this matter to alleviate charges imposed on our Airline. A revision downwards of the MAFFFL fee will help us maintain a sustainable operation between Mauritius and India for the benefit of our two Nations. We hope that our request will be considered favorably.

We thank you in anticipation

Yours truly



Captain Baichoo SR
Fuel Manager
Air Mauritius Ltd.
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Our Ref : DAZP004.2015cm

March 6, 2015

Dear Shri Shekhar,

CONSULTATION PAPER No 17/2014-15

Air France appreciates the opportunity to provide comments to Consultation Paper No 17/2014-15 in the matter of 'Determination of Fuel Infrastructure Charges submitted to Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport Mumbai'.

The Indian Market is still attractive for Air France, nevertheless we would like to avert you about the operating costs.

We have been informed on the 23rd January by our current supplier Indian Oil that MAFFFL has taken over the Mumbai facilities from January 14th.

As a consequence, there is a considerable change of the throughput fee and unfortunately without any engagement of services improvement associated.

Furthermore, the Fuel Infrastructure Charge (FIC) and the ITP charge are additional to the current price. Of course, we don't want to pay twice for the use of fuel infrastructure and into-plane services without any difference in the services provided. To avoid this, the correct and fair thing to happen is for the existing fuel differentials levied by Indian Oil to be reduced by an amount equal to the FIC and ITP charge approved by AERA.

Currently, Air France already pays the fuel infrastructure fee to Indian Oil in the airfield price. But unfortunately, up to now it seems AF current supplier is not prepared to apply a corresponding reduction in its differential.

We would like to insist on the request to deduct the new infrastructure fee of the supplier differential such that the overall airfield price would remain unchanged.

We thank you in advance for your understanding and your support on the above.

Sincerely Yours,



Didier Raffaud
Vice President Procurement Fuel Air France-KLM



HO.AV.13/37

2nd March 2015

Secretary
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110003.

Dear Sir,

In the matter of Determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited at CSI Airport, Mumbai for the first Control Period (01.04.2014 – 31.03.2019)

Reference is made to the Consultation Paper no 17/2014-15 dated 19th February 2015, issued to determine fuel infrastructure charges submitted by MAFFFL at CSI airport, Mumbai for first Control period commencing from 01.04.2014 to 31.03.2019.

Our comments on para 20 of the above referred consultation paper are given below:-

1. The existing Hydrant Charges levied by Indian Oil was Rs 640 per KL, whereas Rs. 780 per KL by Hindustan Petroleum Corporation Limited from us. We agree to AERA's proposal to charge Rs. 710 per KL (an average of the existing Infrastructure charges), on an interim basis.
2. However, we propose that the date of implementation of Infrastructure charges be kept from 1st February 2015, as we needed time to inform the airlines of the changes after the facility was taken over by MAFFFL on 14th January 2015.
3. We have already taken up the matter of date of implementation with MAFFFL.

Thanking you,

Sincerely Yours
For Bharat Petroleum Corporation Limited


Executive Director (Aviation)

रजिस्टर्ड ऑफिस : भारत भवन, 4 एवं 6, करीमभाँय रोड, बेलाई इस्टेट, मुंबई-400001, भारत
Registered Office : Bharat Bhavan, 4 & 6, Currimbhoy Road, Ballard Estate, Mumbai - 400001, India
ईमेल/Email : info@bharatpetroleum.in वेबसाइट/Website : www.bharatpetroleum.in सीआईएन/CIN : L23220MH1952GOI008931

To

The Secretary
Airports Economic Regulatory Authority of India,
New Delhi – 110 003

Essar Oil Limited
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Corporate Identity Number :
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Eeolmarketing@essar.com
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Dear Sir,

12th March, 2015

Sub: In the matter of determination of Fuel Infrastructure Charges submitted by MAFFFL at CSI Airport, Mumbai for the first Control Period (01.04.2014 to 31.03.2019)

Reference D.O. letter No.AERA/20010/MYTP/MAFFFL/FF/Mum/2014-15/7085 dated 20.02.2015 addressed to Mr.P.Sampath, Director (Fin), Essar Oil Ltd, Mumbai on the subject.

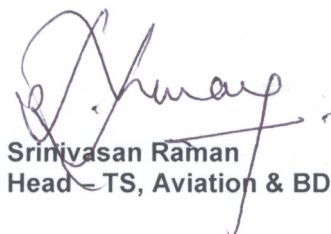
At the outset, we regret our belated response due to delayed receipt of the letter at our end.

As regards, Interim Fuel Infrastructure Charges (FIC) of Rs.710/- per KL being proposed to be levied by MAFFFL in respect of fuel storage and handling service at CSI Airport, Mumbai, the same appears to be reasonable and we are in agreement with the same.

We would request you to kindly share with us final 'Consultation Paper' in this regard, after the same is finalized at your end.

Thanking you Sir,

Yours faithfully,
For **Essar Oil Ltd**



Srinivasan Raman
Head - TS, Aviation & BD





हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड

(भारत सरकार उपक्रम) रजिस्टर्ड ऑफिस : 17, जमशेदजी टाटा रोड, मुंबई - 400 020.

HINDUSTAN PETROLEUM CORPORATION LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE) REGISTERED OFFICE : 17, JAMSHEDJI TATA ROAD, MUMBAI - 400 020.

विमानन एसबीयू, हिन्दुस्तान भवन, 8, शूरजी वल्लभदास मार्ग, मुंबई - 400 001. दूरभाष : +91-22-2263 7000 फॅक्स : +91-22-2261 1776

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CIN L23201MH1952GOI008858 www.hindustanpetroleum.com

OPS/RKR/AVN

Date: 28.02.2015

Secretary,

Airports Economic Regulatory Authority of India.

AERA Building,

Administrative Complex,

Safdarjung Airport,

New Delhi - 110003

**Sub: Comments on Consultation Paper no. 17/2014-15 dated 19th February, 2015-
Determination of fuel infrastructure charges submitted by MAFFFL at CSI
airport, Mumbai for first Control period 01.04.2014 to 31.03.2019**

Dear Sir,

Reference is made to your letter to CEO, MAFFFL dated 20.02.2015 and Consultation Paper no 17/2014-15 dated 19th February, 2015 issued on the subject "Determination of fuel infrastructure charges submitted by MAFFFL at CSI airport, Mumbai for first Control period 01.04.2014 to 31.03.2019".

Our comments / views on para 20 of the above referred consultation paper are given below:-

1. HPCL was charging Rs 780/- per KL from the users ie, BPCL and IOCL for utilisation of hydrant system owned by HPCL at the Domestic Airport at Mumbai. The rate was applicable till the Fuel Farm and allied facilities were handed over to MAFFFL. The hydrant system was commissioned in 1998.
2. The operation of the Hydrant mentioned above was by HPCL. Each Oil Company utilising the Hydrant were undertaking the in-to plane operation with their own equipment (Fuel Dispensers) and their own manpower.
3. The effective date for implementation of Infrastructure charges shall be from 1st February 2015 which we have already taken up with MAFFFL.

Accordingly the price determination may be undertaken by the authority.

Thanking you,

Yours faithfully

R K Rai

Chief Manager-Aviation

Hindustan Petroleum Corporations Limited



HP Aviation

----- Original Message -----

From: **TAN Malvyn** <tanjcm@iata.org>

Date: Mar 2, 2015 1:34:22 PM

Subject: Consultation Paper No.17/2014-15

To: "'alok.shekhar@gov.in'" <alok.shekhar@gov.in>

Cc: KHOSLA Amitabh <khoslaa@iata.org>

Dear Shri Shekhar,

Reference is made to the Consultation Paper No. 17/2014-15 issued on 19 February 2015 with respect to determination of fuel infrastructure charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited at CSI Airport, Mumbai.

IATA airline members have brought to our attention a major concern about a potential significant rise in fuel costs at BOM once MAFFFL is allowed to impose an Infrastructure Fee at the airport. While it is only logical and fair that a transfer of asset ownership and facility operations from one entity to another should not and would not result in an increase in overall costs, we understand that at least one of the current PSU suppliers at BOM have expressed the intention not to reduce the supplier differential by an amount equivalent to what MAFFFL would be charging for Infrastructure Fee. This means that airlines at BOM would essentially have to pay double for fuel infrastructure.

Given the significant cost implications and the importance of this matter, IATA would like to seek an extension of one week in the deadline for written submission to the Consultation Paper (to **9 March 2015**) to allow airlines to make their submissions to AERA.

In the meantime, we offer the preliminary views from IATA as follows:

- The first control period **should not** start retroactively from 1 April 2014 especially since MAFFFL had not yet taken over ownership and operation of the infrastructure in April 2014. Furthermore, the fuel infrastructure fee had already been paid (and continues to be paid till currently) by the airlines to the fuel suppliers in the contract price. The first control period should start only when the new Infrastructure Fee is ready to be implemented and when there is assurance that a corresponding reduction in supplier differential (equivalent to the Infrastructure Fee) is also in place. The airlines would urge AERA to make implementation of the Infrastructure Fee by MAFFFL conditional on an equivalent adjustment in the supplier differential in view of the straightforward transfer of existing assets and operations from the PSU suppliers to MAFFFL. Without this assurance, airlines would be unfairly made to pay twice for no change in services but simply a change in asset ownership and operator. The date for start of the 5-year control period could be 1 April 2015 or later depending on when the condition of no increase in overall fuel cost (sans product cost) at BOM could be met.

On the Infrastructure Fee, as one supplier has demonstrated that it had been able to operate its facility at a charge of Rs640/KL, this should be used as the most appropriate benchmark for efficient operations until such time when a new benchmark is available. Therefore, rather than applying an average of Rs710/KL, the interim Infrastructure Fee should be set at a more efficient level of Rs640/KL which has already been proven as realistic by one of the PSU suppliers. And to re-emphasize the point above, this interim Infrastructure Fee of Rs640/KL should be deducted off the current supplier differential.

IATA fully supports AERA's proposal for intrusive price cap regulation especially given the presence of monopoly power of the fuel infrastructure provider to impose a rate for infrastructure usage that is far higher than what would typically apply if effective competition is present.

We look forward to AERA granting a one-week extension for the written submission to 9 March 2015.

Best regards

Malvyn Tan

Lead - Airport Charges & Fuel

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IATA

9 March 2015

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Dear Shri Shekhar,

CONSULTATION PAPER No. 17/2014-15

IATA appreciates the opportunity to provide comments to Consultation Paper No. 17//2014-15 in the matter of 'Determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport, Mumbai'.

Fuel Infrastructure Charge (FIC) can have significant implications on an airline's operating costs and the viability of the airline's operations at an airport. This charge needs to be regulated appropriately especially if the infrastructure provider imposing the FIC has dominant or monopoly market power.

IATA's comments to the Consultation Paper are as follows.

1. Impact of FIC on airlines

- IATA notes that MAFFFL are not providing services that are different from what have been provided by the Oil PSUs at CSI Airport at least until the new integrated Fuel Farm Facility is ready and operational in 2018. Ownership and operation of the fuel farm facilities have merely been transferred from the three Oil PSUs to MAFFFL. Under such circumstances, it is fair to expect that the overall cost for supply of fuel at CSIA would not be different pre-MAFFFL and post-MAFFFL. MAFFFL had confirmed this in its submission to the Competition Commission of India (CCI) and to AERA. As the Consultation Paper states, *'MAFFFL has also submitted that the fuel infrastructure charges including the ITP service fee shall not be additional charges over and above the present airfield price and shall be part of the airfield price being charged by the Oil PSU to the airlines'*. This condition of no increase in airfield price is an imperative if MAFFFL is allowed to charge the FIC.
- Before AERA issued this Consultation Paper, there had been communication from at least one Oil PSU to its airline customers that the FIC (levied by MAFFFL) and

the ITP charge (levied by one of the two into-plane service providers newly appointed at the airport) would be additional to the current airfield price. If this happens, airlines would be unfairly paying twice for use of fuel infrastructure and into-plane services without any difference whatsoever in services provided. To avoid this, the correct and fair thing to happen is for the existing fuel differentials levied by the Oil PSUs on airline customers to be reduced by an amount equal to the FIC and ITP charge to be approved by AERA. AERA needs to mandate this as a condition for approval of the FIC so as to protect the airlines from possible unfair pricing practices by the Oil PSUs.

2. Form of Regulation

- IATA agrees with AERA on its views concerning materiality, competition and reasonableness of the User Agreements.
- On the reasonableness of User Agreements, AERA is right to consider the fact that there is a stark absence of any consultation with the airlines who are the actual parties paying for MAFFFL's services since all charges levied by MAFFFL would be completely passed through by the Oil PSU's to their airline customers. AERA should also consider that three of the shareholders of MAFFFL are also the same and only three fuel suppliers present at CSIA. These three Oil PSU's by virtue of their shareholdings in MAFFFL would also stand to gain financially from higher charges imposed by MAFFFL. This conflict of interests would leave a question mark over the reasonableness of the User Agreement.
- For the above reasons, IATA fully supports AERA's proposal to adopt intrusive price cap regulation on MAFFFL.

3. Control Period

- The first control period **should not** start retroactively from 1 April 2014 since MAFFFL had not yet taken over the ownership and operation of the infrastructure in April 2014. MAFFFL conveyed that they had only taken over aviation fuel operations and ownership from 14 January 2015. Furthermore, the fuel infrastructure fee had already been paid (and continues to be paid till currently) by the airlines to the Oil PSUs in the airfield price. Therefore, the first control period should start only when the new Infrastructure Fee is ready to be implemented and when there is assurance that a corresponding reduction in supplier differential (equivalent to the FIC) has taken place. The date of start of the 5-year control period has to be prospective and not retroactive. It could be 1 April 2015 or later depending on when the condition of no increase in overall fuel cost (excluding product cost) at CSIA could be met to allow fair implementation of the FIC.
- MAFFFL said that they had been rendering services since 14 January 2015 but had not been able to charge for their services. As the cost for provision of these services have already been recovered by the Oil PSU's from airline customers

through the airfield price, until the time when airlines start paying MAFFFL for FIC (corresponding with a reduction in supplier differentials), MAFFFL could recover the arrears from the Oil PSU's. Airlines should not be made to pay again through retroactive application of the FIC.

4. Interim Fuel Infrastructure Charge

- As one Oil PSU had already proven the feasibility of operating its facility at a charge of Rs640/KL, this should be used as the most appropriate benchmark for efficient operations until such time when a new benchmark for efficiency is available. Therefore, rather than use an average of Rs710/KL, the interim Infrastructure Fee should be set at a more efficient level of Rs640/KL. This is most reasonable especially given the fact that MAFFFL, by acquiring all three facilities and operations of the Oil PSU's, would have greater economies of scale to achieve lower unit costs. And to re-emphasize the point above, this interim Infrastructure Fee of Rs640/KL should be deducted off the supplier differential such that the overall airfield price would remain unchanged.

Thank you.

Yours sincerely,

Malvyn Tan

Lead – Airport Charges and Fuel

Asia Pacific

International Air Transport Association

tanjcm@iata.org

इंडियन ऑयल कॉर्पोरेशन लिमिटेड

प्रधान कार्यालय

इंडियन ऑयल भवन, जी-9, अली यावर जंग मार्ग,
बांद्रा (पूर्व), मुंबई - 400 051.

Indian Oil Corporation Limited

Head Office

Indian Oil Bhavan, G-9, Ali Yavar Jung Marg,
Bandra (East), Mumbai - 400 051.

Phone : 2644 7000

Fax : 2655 2557



विपणन प्रभाग

Marketing Division

AV/BD/MAFFFL/AERA

Date: 02.03.2015

The Secretary,
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110003

**Sub: Comments on Consultation Paper no. 17/2014-15 dated 19th February, 2015-
Determination of fuel infrastructure charges submitted by MAFFFL at CSI
airport, Mumbai for first Control period 01.04.2014 to 31.03.2019**

Dear Sir,

Reference is made to your letter to CEO, MAFFFL dated 20.02.2015 and Consultation Paper no 17/2014-15 dated 19th February, 2015 issued on the subject "Determination of fuel infrastructure charges submitted by MAFFFL at CSI airport, Mumbai for first Control period 01.04.2014 to 31.03.2019".


Our comments / views on para 20 of the above referred consultation paper are given below:-

1. IndianOil was charging Rs 640 per KL from the users ie BPCL and HPCL only for the Hydrant charges. The Hydrant system was owned and operated by IndianOil at Mumbai Airport (International side).
2. The date of charging of the infrastructure charges from the Airlines cannot be done from the retrospective basis and in this particular case, it needs to be done w.e.f. 1st February 2015.
3. From IndianOil side, we have already taken up the matter with MAFFFL for implementation of Infrastructure charges w.e.f. 1st February 2015.

Accordingly the price determination may be undertaken by the authority.

Thanking you,

Yours faithfully
For Indian Oil Corporation Ltd


(T.S. Dupare) 02/03/15
DGM (Avn)
For ED (Aviation)

Deutsche Lufthansa Aktiengesellschaft
Postfach 630300, 22313 Hamburg

Ihre Zeichen
Your Ref.

Unsere Zeichen/Datum
Our Ref./Date

Telefon/Telefax
Telephone/Telefax

Shri Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi 110003

5th of March 2015

Dear Shri Shekhar,

CONSULTATION PAPER No. 17/2014-15

Lufthansa Group greatly appreciates to be given the possibility to send our views on the above mentioned consultation paper, topic being the determination of the Fuel Infrastructure Charges by Mumbai Aviation Fuel Farm Facility at Mumbai Airport (BOM).

The Lufthansa Group is one of the world's biggest aviation conglomerates with significant requirements of jet fuel uplifts around the globe. We fly to approximately 500 airports and uplift around 12,000,000KL of jet kerosene each year. Our annual consumption all over India in the past twelve months amounted to more than 300,000KL. Our uplifts in BOM contributed largely to this number with almost 87,000KL (or 29%).

The latest increase in additional airport fueling charges is worrying Lufthansa Group as it essentially puts another steep and heavy burden on our cost of operations to India, here to Mumbai. We had been paying 773,23 INR/KL for airport facility charges up until the very recent past which equals to 12,45 USD/KL. On a global scale, this number is competitive, yet slightly on the high side compared to other airports in the region.

We have then been informed by our suppliers that the new charge of 1926,04INR/KL will have to be implemented by 14th of January this year. It translates to 31USD/KL or an **increase of 250%**. If this is translated to our cost of operations to BOM, we will be exposed to **1,613,850 US\$ increase**.

So far, nobody has been able to explain to Lufthansa Group the following conundrums:

- i. How is this cost increase being justified as we are not provided with a service any different whatsoever from before January, 14th?

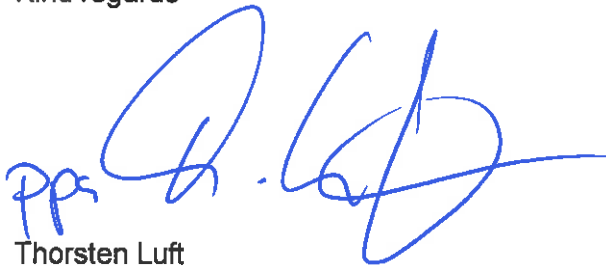
Gesellschaftsrechtliche Angaben, Anschrift
und weitere Informationen auf der Rückseite.
For corporate details, address and further
information please turn over.

- iii. How can it possibly be justified that increases of more than 250% are not at least discussed with airlines in a fair and open consultation process? All over the world, airlines jointly with fuel facility operators and airport operators have been forming consultation groups and working committees in order to reasonably debate the fair cost ascertainment and allocation of fuel facility charges. Lufthansa Group does strongly favour such mode of operation for India as well.
- iv. How can Lufthansa Group just like any other airline be charged retroactively for the fuel infrastructure fee? It is apparently impossible for us to go back to each and every passenger who flew on one of our aircraft to BOM or to any forwarder who transported goods on one of our aircraft to BOM to ask them to pay for a fee increase that we had not been made aware of as and when it should have been levied – but only almost one year thereafter. No passenger, no forwarder would accept this, so Lufthansa Group would be left alone entirely with bearing this cost. It would completely and utterly destroy our already closed route profitability calculation.

Lufthansa Group does express our sincere hope and utmost necessity to consider our deep concerns over the determination of the fuel infrastructure charges submitted by MAFFFL. We are unable to recover additional cost burdens of more than **1,600,000US\$** and regard the viability of our flight operations to BOM under serious jeopardy by both, the process how the fee was established as well as the magnitude of the fee itself.

We thank you very much for your attention in this essential subject-matter and remain at your entire disposal should any questions or comments arise.

Kind regards



Thorsten Luft
Vice President
Corporate Fuel Management



Peter Mihm
Manager
Fuel Purchasing





MIAL/VPR/14-15/54

9th March, 2014

The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003

Sir,

Sub: In the matter of determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Pvt. Ltd. (MAFFFL) at CSI Airport, Mumbai for the first control period (01.04.2014 – 31.03.2019)

Ref: AERA Consultation Paper no. 17/2014-15 dated 19th February, 2015 on determination of fuel infrastructure charges.

We would like to thank the Authority for issuing the abovementioned Consultation Paper and giving us an opportunity to give our comments on the same. In this connection our submission is as under:

MAFFFL shall provide the services of storage and handling of fuel at its Fuel Farm facility to the Oil companies. In this regard it may please be noted that no services are being provided by MAFFFL to airlines. MAFFFL has entered into fuel storage and handling agreements with all the suppliers for usage of its infrastructure. Further, clause 3.2 of the "AERA Guidelines 2011 – Terms and Condition for determination of Tariff for Services provided for Cargo facility, Ground Handling and Supply of Fuel to Aircraft" states as under:

"Based on the Authority's review at stage 1, stage 2 and stage 3 where the Regulated Service(s) provided are deemed:

(iii) material and not competitive, but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period, according to the provisions of Chapter V"

Existing ATF suppliers are the only users of MAFFFL services, agreements between MAFFFL and existing suppliers have already been done and adequate User Consultations have also been done with them under the terms of AERA Guidelines 2011. Therefore, it is a fit and

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proper case for regulation under light touch approach of the Authority In view of the above;
Authority is requested to determine charges in this case considering light touch regulations.

Thanking you,

Yours sincerely

For Mumbai International Airport Private Limited

A handwritten signature in blue ink, appearing to read 'Sanjiv Bhargava'.

(Sanjiv Bhargava)

Vice President - Regulatory



Mumbai International Airport Pvt Ltd
Chhatrapati Shivaji International Airport
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ENERGY
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TRANSPORTATION
HOSPITALITY



6 March 2015

Shri Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi 110003,

Dear Mr Shri Shekhar,

CONSULTATION PAPER No. 17/2014-15

SriLankan Airlines would like to provide our comments to Consultation Paper No. 17//2014-15 in the matter of 'Determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport, Mumbai'.

We were informed by our fuel supplier at BOM airport that due to ownership change in Mumbai Airport Facilities with effective from 14th February 2015, the new owner Mumbai Aviation Fuel Farm Facility Pvt Limited (MAFFFL) is levying an Infrastructure Charge (FIC) of INR 828/ KL and IntoPlane Fee (ITP) of INR 198/ KL (excluding 12.36% Services Tax). The present duties, taxes and fees (DTF) at Mumbai are INR 1714.17/KL (excluding 12.36% Services Tax)

This is an increase of 60% of DTF at Mumbai which would definitely have an adverse effect on our fuel budget and route profitability. We believe this increase is not fair, and would have a negative impact on airline industry as well as tourism.

Sri Lankan Airlines would like to express our strong objection to this unfair decision by MAFFFL.

We kindly request AERA to provide conditional approval for reducing the existing differentials levied by Oil PSUs for airlines by an amount equal to the total of FIC and ITP charges approved by AERA.

Thanking you

Yours faithfully,

Dehan de Silva

Senior Manager Commercial Procurement
SriLankan Airlines Limited

SriLankan Airlines Limited

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5 March 2015

Shri Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi 110003

Dear Shri Shekhar,

CONSULTATION PAPER No. 17/2014-15

United Parcel Service Co. (UPS) would like to thank you for the opportunity to provide our comments regarding AERA's Consultation Paper No.17/2014-15 in the matter of "Determination of Fuel Infrastructure Charges Submitted by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport in Mumbai."

UPS is very concerned with the proposed new rate structure at Mumbai (BOM) which is a part of AERA's Consultation Paper No.17/2014-15. Our primary concerns follow:

- The proposed rate for the Fuel Infrastructure Charge (FIC) should be aligned with the lowest cost of the three Oil PSUs which are a part of MAFFFL and not with the average of the three. The lowest rate of Rs 640/KL should be the benchmark since the new infrastructure should be more efficient and should enjoy new economies of scale since the entire airport's volume will be throughput in the consolidated fuel system. Until the new fuel facility is operational in 2018, there should be no consideration of an increase in the rate determined by AERA's current review.
 - UPS's jet fuel supplier at Mumbai has steadfastly refused to reduce our differential cost component by the amount that MAFFFL will be charging and by the amount that the new into-plane fueling service company will be charging for the ITP service fee. Since this Oil PSU has refused to implement an off-setting reduction in our existing differential, UPS is in reality now paying the two charges twice (in other words.....one time in the differential...and a second time in the MAFFFL FIC and in the fueling company's ITP fee).
-
- UPS's jet fuel supplier's position contradicts MAFFFL's statement that its fees would not be additional charges above the present airfield price. Please note that in MAFFFL's CEO's letter dated 12 January 2015 to AERA, item 5 stated that the fuel infrastructure charge including the

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- ITP service fee shall not be additional charges over and above the present airfield price and shall be part of the airfield price being charged by the Oil PSU to the airlines. In addition Item 6 stated that these fees are not being loaded by the suppliers additional to the airfield price. This supports UPS' assertion that our differential should be reduced by the amount of the MAFFFL and ITP fees. (see Note 1 below for the excerpt from the MAFFFL letter)
- AERA's review in Consultation Paper No.17/2014-15 does not include the new into-plane fueling service costs which MAFFFL has subcontracted out to two new fueling joint ventures. We ask that AERA also review the reasonableness of the ITP fee which the two fueling companies have required that the airlines pay.
- As you are aware, the consolidation of the three Oil PSUs' fuel systems into one system has created a fuel system monopoly on the BOM airport. In addition the airlines have no mechanism to competitively bid out our into-plane fueling service requirements to the two new fueling companies. As a result, ITP fueling service at BOM is also a monopoly.

Consequently the airlines are very dependent on AERA to protect our interest in order to ensure our continued operation at BOM and to insure our support of the economic activity which the airlines provide through the transportation of cargo and passengers.

Although the airlines are the parties that would ultimately shoulder the cost of the new infrastructure and ITP fueling fees, no one consulted the airlines during the planning and formation of MAFFFL. The process has been flawed from the start, and the airlines are facing more than a doubling of our costs.

We ask that your final decision be aligned with UPS's concerns which were outlined above. If you need additional information or if I can answer any questions, please do not hesitate to ask.

Regards,

A handwritten signature in black ink, appearing to read "J.R. Gaines".

James R. Gaines
Director, International Jet Fuel Procurement
United Parcel Service Co.
Office: +1 404 828-8997
Cell: +1 404 664-9392
rickgaines@ups.com

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NOTE 1: Excerpt from MAFFFL's CEO's letter dated 12 January 2015 to AERA (which is an attachment in AERA's Consultation Paper No.17/2014-15)-

5. Impact of the fuel infrastructure and ITP charges to the airlines

- It is also to inform that, the Oil PSUs have advised, for the fuel supplies made at their locations, with captive infrastructure, like the present operations in Mumbai, the cost of operations ITP and Fuel farm cannot be segregated as the resources for all the operations are clubbed and not segregated. Accordingly the billing done by the Oil PSUs to the customers, includes the cost of all the services required for supply and delivering the fuel into the aircraft and the above said charges are not separately indicated. Copies of the invoices of Oil PSU, presently being issued at Mumbai Airport is enclosed.
- Also the fuel infrastructure charges including the ITP service fee shall not be additional charges over and above the present airfield price and shall be part of the airfield price being charged by the Oil PSU to the airlines.
- In the submission to CCI, the average cost of operation by the Oil PSU's for the year 2013-14 was advised at Rs 1054/KL. Against the same the cost of operation after takeover by MAFFFL shall be about Rs 828/KL for the Fuel Infrastructure charges and Rs 198/KL for the ITP charges, totaling about Rs 1026/KL. The above mentioned average cost of operations of the Oil PSU's, submitted to CCI is purely the cost of operations and does not include the overall cost of infrastructure and other overheads. The charges of MAFFFL is inclusive of same. Hence with the start of operations by MAFFFL, wherein the ITP services and fuel farm services are segregated and regulated, there would be considerable savings in the overall cost of operations.

6. Reasonableness

- These rates as such are not being loaded by the suppliers additional to the airfield price.



MAFFFL/FIN/AERA/SM/101

March 16, 2015

To,
The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi 110 003

Subject: Request for Tariff Approval for Mumbai Aviation Fuel Farm Facility Private Limited for providing fuelling services at CSI Airport, Mumbai.

Dear Sir,

We refer to the details of the responses received from the stakeholders with regards to the Consultation Paper No 17/2014-15 released by AERA in the matter of "Determination of Fuel Infrastructure Charges submitted by Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) at CSI Airport, Mumbai". The responses of MAFFFL are as given below;

S. NO.	Name of Organisation	Query	MAFFFL's Response
1a	UPS	<i>The proposed rate for the Fuel infrastructure Charge (FIC) should be aligned with the lowest cost of the three Oil PSUs which are a part of MAFFFL and not with the average of the three.</i>	The charges proposed by MAFFFL are for the complete fuel farm operations, including the new Hydrant system with higher capacity, improved safety and environmental features, developed by MIAL along with the new integrated terminal and transferred to MAFFFL. The Fuel hydrant system, developed by MIAL, of about 2100 mtr is commissioned and about 3000 mtr will be commissioned by July 2015. Further, MAFFFL has computed the charges based on the AERA guideline for the entire fuel farm facility.
1b		<i>Until the new fuel facility is operational in 2018, there should be no consideration of an increase in the rate determined by AERA's current review</i>	As per AERA guideline, MAFFFL has to get a tariff approved by AERA before charging it to its user. Thus, in line with the regulation, MAFFFL has filed its tariff for approval from AERA based on its regulatory asset base and operating costs. The structure of operation of the fuel farm facility is now consolidated and thus the charges should be worked out based on MAFFFL's asset base and operating cost. As stated by the Authority the five year control period, in the case of

Page 1 of 8

Mumbai Aviation Fuel Farm Facility Private Limited
MIAL 2nd Floor, Terminal 1 B - Arrival, CSI Airport, Santacruz (E), Mumbai - 400099
Tel : +91 22 66852145 Email : info@mafffl.in Web : www.mafffl.in

Regd Office : 1st Floor, Terminal 1 B, C S I Airport, Mumbai - 400099
CIN: U63000MH2010PTC200463

			MAFFFL, shall be from 1 st April, 2014 to 31 st March, 2019 and the Fuel Infrastructure Charge (FIC) in respect of the fuel farm services provided by MAFFFL at CSI Airport, may be effective 1 st Feb 2015, which is the date for operationalisation of MAFFFL.
1c		Oil PSU has refused to implement an off-setting reduction in our existing differential	The issue of ATF pricing is a matter between the Airlines and the Oil Companies. MAFFFL is not privy to these mutually agreed commercial agreements between Airlines and the Oil Companies. The parties can be guided by the above said agreement.
1d		MAFFFL has created a fuel system monopoly on the BOM airport	<ol style="list-style-type: none"> 1. To address all competition related concerns, MAFFFL has obtained the clearance from the Competition Commission of India which is the authority responsible to address competition related concerns in the country. 2. MAFFFL is committed to offer its services on <u>Open Access</u> basis on commissioning of the Integrated Fuel farm, including handling of any fuel placed at the facility by private fuel suppliers. This should be welcomed by the Airlines as it will increase the number of supplier available thereby enhancing competition/choices for the Airlines. 3. The agreements and the rates charged to all Users (Suppliers) will be completely transparent and same for all the Users. The rates charged will be as approved by AERA from time to time. There shall be no discrimination with regards to the services or the rates amongst any Users. <p>Hence the operations of MAFFFL are competitive, regulated and transparent.</p>



1e		<i>The airlines have no mechanism to competitively bid out our into-plane fuelling service requirements to the two new fuelling companies.</i>	The Suppliers have the option of selecting any one of the two ITP Operators. The ITP rate was obtained through <u>competitive bidding through a public tender</u> and the same is subject to the approval of AERA. The ITP operators are mandated to provide the services on a non- discriminatory basis. Also as per the current system the ITP pricing is totally competitive and transparent.
1f		<i>Also the fuel infrastructure charges including the ITP service fee shall not be additional charges over and above the present airfield price and shall be part of the airfield price be in charged by the Oil PSU to the airlines.</i>	Presently we understand there are two types of pricing of ATF by Suppliers to the Airlines at Mumbai Airport, one is in relation to the Posted Airfield Price (PAP) and the other is Formula Pricing. In case of the PAP, the price is inclusive of the FIC and ITP Operator charges and the charges levied by MAFFFL on Supplier are not levied over and above the PAP. In case of the Formula pricing, we understand, the Suppliers are guided by the Agreement with the Airlines and the Agreement is in line with the standard IATA draft agreement, where fixed differential is charged along with Airport fees as separate line item as per the agreement. The fixed differential charged by the Suppliers to the Airlines is a matter of commercial confidence and as understood is not same for all the customers.
2a	Srilankan Airlines	<i>AERA to provide conditional approval for reducing the existing differentials levied by Oil PSUs for airlines by an amount equal to the total of FIC and ITP charges approved by AERA.</i>	In case of the Formula pricing, the Agreement between the Airline and the Supplier is in line with the standard IATA draft agreement, where fixed differential is charged along with Airport fees as separate line item. The parties may be guided by the above said agreement.
3a	HPCL	<i>The effective date for implementation of Infrastructure charges shall be from 1st February 2015 which we have already taken up with MAFFFL.</i>	Agreed



4a	IOCL	The date of charging of the infrastructure charges from the Airlines cannot be done from the retrospective basis and in this particular case, it needs to be done w.e.f. 1 st February 2015.	Agreed
5a	African Airlines Association	AFRAA members are of the view that an entity transfer of asset ownership and facility operations should not necessarily result in an increase in overroll costs	The charges determined by MAFFFL is based on the guidelines of AERA whereby the asset based considered includes not only the existing facilities transferred by Oil PSU's to MAFFFL but also includes the new fuel Hydrant system already developed by MIAL in the new integrated T2 Terminal and the capital expenditure for developing the new integrated fuel farm facility. The Integrated Fuel Farm would operate on an Open Access basis as practiced across the globe. The hydrant system is as per the latest JIG standards, leak detection system etc., thereby increased safety and environmental factors as compared to the existing hydrant system of the Oil PSU.
5b		our members would essentially have to pay double for fuel infrastructure fees	The charges approved by AERA will be the FIC charged by MAFFFL to Suppliers and in turn by Suppliers to the airlines. No additional FIC can be charged by the Oil PSUs, as all the fuel infrastructure at CSIA are maintained and operated by MAFFFL.
5c		The proposal to have the first control period from 1st April 2014 raises concern especially as MAFFFL had not yet taken over ownership and operation of the infrastructure in April 2014.	The Facilities have been taken over by MAFFFL from January 13, 2015 and MAFFFL is the owner of these facilities since the above date. The charging of the FIC to the Suppliers is effective February 1, 2015 and not from April 1, 2014.
5d		To implement the new Infrastructure fee once there is an alignment which will see a corresponding equivalent reduction in infrastructure fee in the current supplier differential.	Kindly refer to 2a.
5e		To make implementation of the Infrastructure Fee by MAFFFL conditional on an equivalent adjustment in the supplier differential as this is just a transfer	Kindly refer to 2a and 5a.

		of existing assets and operations from the PSU suppliers to MAFFFL with no cost implications.	
5f		It has been demonstrated that it is possible to operate efficiently at a charge of Rs640/KL and we propose that this should be used as the benchmark for efficient operations until such time when a new benchmark is available.	Kindly refer 1a.
5g		AFRAA supports AERA's proposal for intrusive price cap regulation especially given the presence of monopoly power of the fuel infrastructure provider to impose a rate for infrastructure usage that is far higher than what would typically apply if effective competition is present.	Refer 1d on the concern of the Airline related to monopolistic presence. MAFFFL has brought out the reasonableness of the User agreements (with Suppliers) and also has submitted the User consultation. Hence request for consideration of proposal under the light touch approach as per the regulation issued by AERA.
6a	Lufthansa	We had been paying 773.23 INR/KL for airport facility charges up until the very recent past which equals to 12.45 USD/KL. On a global scale, this number is competitive, yet slightly on the high side compared to other airports in the region. We have then been informed by our suppliers that the new charge of 1926.04 INR/KL will have to be implemented by 14 th of January this year. It translates to 31 USD/KL or an increase of 250%.	The charges of INR 773.23/KL is the Airport operator fee , as approved by AERA for MIAL and there is no change in these charges. The Fuel Infrastructure Charge shall be charged by MAFFFL to the Suppliers effective February 1, 2015
6b		How can Lufthansa Group just like any other airline be charged retroactively for the fuel infrastructure fee?	The proposed Fuel Infrastructure Charges were advised to the Suppliers in the month of January 2015. The charges are effective February 1, 2015 and not retrospectively.
6c		We had not been made aware of as and when it should have been levied – but only almost one year thereafter.	As mentioned in 6b, the proposed Fuel Infrastructure Charges were advised to the Suppliers in the month of January 2015. The charges are effective February 1, 2015 and not from retroactively. We also understand the Suppliers have communicated these charges to the related Airlines in the month of January 2015 only.



7a	Air France	The existing fuel differentials levied by Indian Oil to be reduced by an amount equal to the FIC and ITP charge approved by AERA.	Kindly refer 2a.
7b		Air France already pays the fuel infrastructure fee to Indian Oil in the airfield price. We would like to insist on the request to deduct the new infrastructure fee of the supplier differential such that the overall airfield price would remain unchanged.	Kindly refer 2a.
8a	Air Mauritius	We find these charges to be too high.	The FIC proposed is computed as per the AERA guidelines and is very competitive. The details for the same have been submitted to AERA for approval. Thus we would request AERA to approve the same.
8b		We would request that the viability assessments calculate fundamental aspects of development economics for the MAFFFL be revisited and this charge be revised downwards to an acceptable level	Kindly refer to 8a.
8c		This additional item is a charge that we are unable to control due to the monopolistic nature of MAFFFL	Kindly refer 1d.
8d		Our concern is therefore exacerbated by the fact that in future this already excessive charge could be increased putting in jeopardy our whole operations	The final tariff of FIC as approved by AERA is for the complete control period. The Infrastructure Fee levied at all times shall be as approved by AERA.
9	MIAL	Existing ATF suppliers are the only users of MAFFFL services, agreements between MAFFFL have already been done and adequate User Consultations have also under the terms of AEPA Guidelines 2011. Therefore, it is a fit and proper case for regulation under light touch approach of the Authority In view of the above; Authority is requested to determine charges in this case considering light touch regulations.	MAFFFL agrees with the view of MIAL that the proposal should be considered under the light touch approach.
10a	IATA	1. Impact of FIC on Airlines Ownership and operation of the	Kindly refer to 5a



		fuel farm facilities have merely been transferred from the three Oil PSUs to MAFFFL. Under such circumstances, it is fair to expect that the overall cost for supply of fuel at CSIA would not be different pre-MAFFFL and post-MAFFFL	
10b		Impact of FIC on Airlines- MAFFFL has also submitted that the fuel infrastructure charges including the ITP service fee shall not be additional charges over and above the present airfield price and shall be part of the airfield price being charged by the Oil PSU to the airlines'.	Kindly refer 1f & 2a.
10c		Reduction of FIC and ITP charges from the Differentials. AERA to mandate this condition to Oil PSU's.	Kindly refer 2a.
10d		2. Form of regulation	MAFFFL has obtained the clearance from the Competition Commission of India. MAFFFL is committed to offer its services on Open Access basis on commissioning of the Integrated Fuel farm including handling of any fuel placed at the facility by the private fuel suppliers. The agreements and the rates charged to all Users will be same and there shall be no discrimination with regards to the services or the rates between any two Users. The Infrastructure tariff shall be as approved by AERA.
10e		3. Control period - The first control period should not start retroactively from 1 April 2014 since MAFFFL had not yet taken over the ownership and operation of the infrastructure in April 2014.	MAFFFL has considered the start of Operation from February 1, 2015 and the FIC shall be charged to the Suppliers from the above date.
10f		MAFFFL should recover the cost through Oil PSU's. Airlines should not be made to pay again through retroactive application of FIC.	MAFFFL shall be charging the FIC to the Suppliers only and not the Airlines. The FIC shall be charged from February 1, 2015.
10g		4. Interim Fuel Infrastructure Charges - As one Oil PSU had already proven the	Kindly refer 1a. Also the charges levied by MAFFFL to the Suppliers shall be as approved by AERA.

		feasibility of operating its facility at a charge of Rs640/KL, this should be used as the most appropriate benchmark for efficient operations until such time when a new benchmark for efficiency is available	
11a	ESSAR Oil & Gas	As regards, Interim Fuel Infrastructure Charges (FIC) of Rs 710/KL being proposed to be levied by MAFFFL in respect of Fuel storage and handling service at CSI Airport, Mumbai, the same appears to be reasonable and we are in agreement with same.	Kindly refer to 8a.

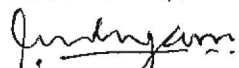
While on subject, we also wish to reiterate the following:

1. MAFFFL as a JVC was formed on October 28, 2014 and has been functioning since then. Even before the date of this formation, considerable activities towards the formation were undertaken and the expenses on behalf of MAFFFL were incurred by the shareholders. The same are payable by MAFFFL and within this financial year.
2. The transfer of assets of the shareholders, were transferred to MAFFFL on 13th January 2015 and MAFFFL is the owner of these assets and is responsible for all expenses and liabilities.
3. Without the rate approval of tariff from AERA, MAFFFL is not able to achieve the financial closure and even the working capital is not being released by the Bankers.
4. With no revenues or funding, MAFFFL will be in serious financial constraints and this can affect the operations of MAFFFL and resultant operations at the CSI Airport.

View all above MAFFFL once again requests the Authority for an early approval of the Interim tariff.

I would be happy to provide any further clarification, if so required by the Authority.

Yours Sincerely,


Shyam Mustywalwar
Chief Executive Officer