

फा.सं. ऐरा/20010/एमवाईटीपी/आई.ओ.एस.एल./आई.टी.पी./मुंबई/सीपी-दो/2016-17/भाग-एक/13564-13565

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

ऐरा भवन, प्रशासनिक कॉम्पलेक्स,

सफदरजंग एयरपोर्ट,

नई दिल्ली -110003

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SC

दिनांक : 11 दिसम्बर, 2017

विषय- छत्रपति शिवाजी अंतराष्ट्रीय हवाई अड्डे, मुम्बई में इंटो प्लेन फयूलिंग सेवाए प्रदान कराने के लिए मैसर्स इंडियन ऑयल स्काटैकिंग प्राइवेट लिमिटेड (आईओएसएल) द्वारा प्रस्तुत दूसरे नियंत्रण अवधि (वित्त वर्ष 2016-17 से वित्त वर्ष 2020-21) के वार्षिक टैरिफ प्रस्ताव के मामले में बहुवर्षीय टैरिफ प्रस्ताव।

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उपर्युक्त विषय पर दिनांक 8.12.2017 का टैरिफ आदेश संख्या 28/2017-18 सूचना और आवश्यक अनुपालन के लिए संलग्न है।

भवदीय,  
विजय कुमार मल्लिक

(वी.के.सचदेवा)

उप महा प्रबंधक (वित्त)

सेवा में,

मैसर्स इंडियन ऑयल स्काटैकिंग प्राइवेट लिमिटेड,

फ्युल फार्म फैसिलिटी,

बंगलोर अंतराष्ट्रीय हवाई अड्डा,

देवानाहली, बेंगलोर -560 300

(मार्फत: के माध्यम से - श्री टी एस डुपेरे, मुख्य कार्यकारी अधिकारी)

प्रतिलिपि: सचिव, नागर विमानन मंत्रालय, राजीव गांधी, भवन, सफदरजंग हवाई अड्डा, नई दिल्ली-110003

**Airports Economic Regulatory Authority of India**

**Order No. 28/2017-18**

**AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi - 110003**

**Date of Issue: 8<sup>th</sup> December, 2017**

**Service : Into-Plane Fuelling Services  
Service provider : M/s Indian Oil Skytanking Private Limited.  
Airport : Chhatrapati Shivaji International Airport, Mumbai.**

**In the matter of Multi Year Tariff Proposal and the Annual Tariff Proposal for the second control period (FY. 2016-17 to FY. 2020-21) submitted by M/s Indian Oil Skytanking Private Limited. (IOSL) for providing Into-plane fuelling services at Chhatrapati Shivaji International Airport, Mumbai.**

The Authority considered the Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) submitted by M/s Indian Oil Skytanking Private Limited (IOSL) for provision of Into Plane Services (ITP) at CSI Airport, Mumbai (MIAL) for 1<sup>st</sup> control period and after due stakeholder consultation, issued Multi –Year Tariff Order (MYTO) No. 12/2015-16 dated 27.05.2015 wherein the Authority decided to adopt 'Light Touch Approach' and determined Tariffs for the period 01.01.2015 to 31.03.2016.

1.1 The Authority vide its Order No.50/2015-16 dated 31.03.2016 allowed the AOs/ISPs to continue the levy of tariffs existing as on 31.03.2016 up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier. Thereafter, the Authority vide its Order No. 11/2016-17 dated 29.09.2016 further extended the levy of tariffs as on 31.03.2016 up to 31.03.2017 or till the determination of tariffs for the second control period, whichever is earlier. The Authority vide its Order no. 19/2016-17 dated 31.03.2017 has further extended the levy of tariffs as on 31.03.2016 up to 30.09.2017 or till the determination of tariffs for the second control period, whichever is earlier. The Authority vide its Order no. 12/2017-18 dated 29.09.2017 has further extended the levy of tariffs as on 31.03.2016, for a further period of six months w.e.f. 01.10.2017 or till the determination of tariffs for the Second Control period, whichever is earlier.





1.2 IOSL vide their letter No. AV/AERA/Mumbai-ITP/MYTP 2016-17 to 2020-21 dated 24.03.2016, submitted the certified copy of their Multi Year Tariff Proposal and Annual Tariff Proposal which was filed online by them for determination of tariffs for the second control period for providing Into Plane Services at CSI Airport, Mumbai. IOSL has proposed 34% increase in tariff for the year 2016-17 on account of revision of land rent by MIAL, deployment of additional manpower as per the requirement of DGCA, enhanced expenses for office space & porta cabin and annual escalation. Further annual escalation of 8% year on year for 2017-18 to 2020-21 was proposed by IOSL vide letter dated 07.09.2016. IOSL vide their letter dated 05.10.2016 has also submitted the Annual Compliance Statement (ACS) for the financial year 2015-16.

2.1 In respect of the regulated service(s) provided for Supply of fuel to the aircraft at major airports, the materiality of service is assessed based on actual fuel off take volume in Kilo Litres (KL) at the major airport as a percentage of total volume of fuel off take in KL at all major airports. The percentage share of the volume of fuel off take for CSI Airport, Mumbai is **24.29%** which is greater than **5%** Materiality Index threshold limit fixed for the subject service. Hence the service is deemed '**material**'.

2.2 As per the information furnished by IOSL, M/s Bharat Star Services Private Limited is rendering similar service at CSI Airport. The Guidelines provide that where a regulated service is being provided at a major airport by two or more service providers(s), it shall be deemed '**competitive**' at that airport. In the instant case with the total number of players being two, the service is deemed '**material but competitive**'.

2.3 As per Clause 3.2 of the CGF Guidelines, when such regulated service is deemed 'material but competitive', the Authority shall determine tariff(s) for the service provider(s) based on a 'Light Touch Approach' for the duration of the Control Period. Hence the regulated service being provided by IOSL at Chhatrapati Shivaji International Airport, Mumbai is 'material but competitive' and shall come under the 'Light Touch Approach' for tariff determination.

2.4 As per Clause 11.2 of the Guidelines, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I to the guidelines and should be supported by the following documents:

- 2.4.1 Form B –Submission of ATP
- 2.4.2 Form 14(b)-Proposed Tariff Card
- 2.4.3 Details of consultation with stakeholders
- 2.4.4 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

IOSL has submitted Form B, Form 14(b) and copy of the user agreements with their Annual Tariff Proposal. IOSL has not provided evidence of stakeholder consultation meeting on the grounds that Oil companies are their users and they have entered into user agreements with all the users, hence there is no requirement for organising a specific stakeholder consultation meeting for the subject proposal.





2.5 The Authority considered the submissions made by IOSL and issued the Consultation Paper No. 01/2017-18 dated 11.04.2017 proposing the following for stakeholder consultation:

- (i) The Into Plane Service being provided by Indian Oil Skytanking Private Limited (IOSL) at CSI Airport, Mumbai is "Material but Competitive". Therefore the Authority proposes to adopt 'Light Touch Approach' for determination of tariffs for the 2<sup>nd</sup> control period w.e.f. 01.04.2016 to 31.03.2021 and accordingly issue the MYTO for the 2<sup>nd</sup> control period.
- (ii) Consider 10% increase in existing tariff for 2016-17 and continue the same rate for 2017-18. Further the Authority will review the annual compliance and decide the tariff for remaining period of 2<sup>nd</sup> control period later.

### **Stakeholders Comments**

3 Stakeholders meeting was held on 09.05.2017 to know the views/comments of the various stakeholders. The views/comments received are as follows.

3.1 BPCL & HPCL: They commented, that any revision should be approved on prospective basis as the tariff is a "pass through" item.

3.2 IATA has conveyed to the Authority 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 to carry out intrusive regulation.

3.3 M/s Mumbai International Airport Pvt Ltd requested further increase from the proposed increase of 10% in tariff for FY 2016-17 as suggested by the Authority in the consultation paper.

3.4 BSSPL commented that they are the other ITP service provider at Mumbai airport and the rate applicable to one ITP operator becomes applicable to other ITP operator also because of common ITP tariff prevalent at Mumbai airport. They also stated that the Authority has not considered the increase in land lease, cost of porta cabin and office space and this will affect the financials of operators.

3.5 The Authority vide Public Notice No 12/2017-18 dated 24/05/2017 has uploaded the above written comments of stakeholders received by AERA.

3.6 (i) IOSL vide letter dated 12.05.2017 commented that the growth in total volume (KL) of fuel supply at Mumbai airport is 6.7% compared to previous year and the share of business is dynamic and keeps shifting throughout the year and the unit operating expense is a function of the share of business. ITP Operations are manpower oriented which constitute approximately 52% of the total operating cost. Hence, the return on average RAB based on capital employed seems inappropriate for ITP Business and needs due consideration.



(ii) IOSL further stated that they have sought an increase in tariff by 12% for 2016-17, 35.6% for 2017-18, 7.5% for 2018-19, 8.4% for 2019-20 and 8.2% for 2020-21 vide their letter dated 04.04.2017 due to:

- a) Annual escalation in operating expenditure @ 5%
- b) Manpower cost to meet requirement for additional manpower at Mumbai Airport due to safety concerns raised by DGCA.
- c) Increase in cost due to operation of IOSL from two locations since, MIAL has offered land for parking of fuelling vehicles at two different locations instead of single piece of land because of land constraints.
- d) Increase in land rent by MIAL/MAFFFL from Rs.1500/sq mtr to Rs.8127/sq mtr with 7.5% escalation per annum
- e) Increase in cost due to office space & porta cabin required to be rented from MIAL, since ITP operators are currently not allowed to construct their ITP depot on the land provided by MIAL.
- f) IOSL vide letter dated 12.05.2017 submitted two proposals for the consideration of the Authority.
  1. 12% increase in tariff for 2016-17 from the existing tariff, further year over year 35.6% for 2017-18, 7.5% for 2018-19, 8.4% for 2019-20 and 8.2% for 2020-21 in case the revision is effective from 01.04.2016.
  2. 64% increase in tariff for 2017-18 from the existing tariff, further a decrease of 4% for 2018-19, further 8% increase year over year for 2019-20 and 2020-21 in case the revision is effective from 01.04.2017.

#### **The Authority's view on stakeholder's comments:**

4.1 The Authority considered the comments of BPCL and HPCL and is of the opinion that the tariff should be effected prospectively. Regarding the views of IATA the Authority is of the view that as per AERA Guidelines for CGF, two ITP service providers are providing similar services at CSI airport, Mumbai and hence the service is considered competitive, though Airlines may not always have choice in the matter.

4.2 Regarding the comments of IOSL about the return on average RAB, it is stated that besides return on RAB, the Authority also considers other aspects such as operating cost including manpower cost, margin etc. Further, the Authority has also considered the growth in volume of fuel supply at Mumbai and is of the view that since IOSL is holding 70% share of ITP business at CSI airport, Mumbai, the fluctuation in volume may not impact their revenue adversely.



4.2.1 Regarding the increase in cost of land rent proposed by IOSL, the Authority is of the view that MAFFFL has to provide land to IOSL as per the existing agreement and hence the Authority has not considered any increase in tariff on this account. However, M/s IOSL has to bear the cost of additional land requirement over 2000 sqmt stated in the agreement. The Authority has also considered the justification given by IOSL for increase in tariff, i.e. annual escalation in operating expenditure, additional manpower cost and the proposed additional cost due to operation from two locations & porta cabin.

**Addendum : Consultation Paper No. 01/2017-18 dated 09.10.2017**

5.1 The Authority considered the justifications given by IOSL vide their letter dated 12.05.2017 and also analyzed the revenue requirement of IOSL for 2017-18 & 2018-19 and observed that 22% increase in tariff is required to meet the revenue requirement of IOSL for 2017-18. Hence the Authority issued the Addendum to Consultation Paper No. 01/2017-18 dated 09.10.2017 with 23.10.2017 as the last date for submission of comments by the stake holders, proposing the following revised rates for stakeholder consultation:

To consider 22% increase in existing tariff for 2017-18 and further 10% increase for 2018-19 to meet revenue requirement of IOSL. Further the Authority will review the Annual Compliance and decide the tariff for the remaining period of the Second Control Period later.

**5.2 Stakeholders Comments on Addendum to Consultation Paper:**

- a) IOCL & HPCL: They commented that any revision should be approved on prospective basis as the tariff is a “pass through” item. This issue has been clarified at para 4.1 above.
- b) BSSPL commented that they are in agreement with the justifications for increase in the tariff. The escalation in the overall operational expenditure besides additional manpower cost necessitates upward revision in tariff. It was initially envisaged that MIAL would allot each ITP Operator a consolidated piece of land; but due to constraints they are unable to do so, resulting in operations being undertaken from different locations and enhanced operating cost.
- c) IATA has commented about the increase of over five times in land rental by the Airport Operator from 2015-16 translates to the airlines unfairly paying a higher cost for necessary services related to air transport. IATA also suggested to thoroughly scrutinize the projected cost and revenue of into-plane service providers to ensure that any proposed increase in tariff is well justified. IATA also expressed their concern about the upward trend in the cost to airlines for use of into plane services in India.

The Authority examined the comments of IATA and is of the opinion that the land rentals charged by the airport operators from regulated agencies is considered as aeronautical revenue for determining aeronautical tariff of airport operator, and thus this issue is addressed in the tariff determination of the Airport operator.

- d) IOSL has agreed to the proposal of the Authority, however submitted that the tariff order be effective from 1<sup>st</sup> April 2017 for the second tariff year (2017-18).

5.3 The Authority vide Public Notice No. 34/2017-18 dated 08.11.2017 has uploaded the above written comments of stakeholders received by AERA.

### **Views of the Authority**

6. Considering the above facts, the Authority has decided to continue the levy of tariffs existing as on 31.03.2016 for the FY- 2016-17 (First Tariff Year) of Second Control Period. Further, the Authority noted that the operating margin of IOSL for FY 2015-16 is 22% and the return on RAB is 27%. The Authority has also noted that IOSL has proposed the additional cost on account of office space, additional manpower cost to meet DGCA requirement and the annual escalation. On analysis of the proposal/information furnished by IOSL, it is noted that there is an impact of 25% on the existing tariff mainly due to increase in office space rent (13%), additional land requirement (5%), cost of additional manpower (6%) and rental of porta cabin(1%). The Authority observed that the extra manpower cost due to DGCA requirement is unavoidable but IOSL needs to rationalise the requirement of additional land and office space to reduce cost. The Authority also analysed the revenue requirement of M/s IOSL for ITP service at Mumbai airport. Hence, the Authority has decided to increase the tariff by **22 %** from the existing tariff for second tariff year (FY 2017-18) effective from 01.01.2018 and further increase of 10% for FY 2018-19 subject to review thereafter.

### **ORDER**

7. Upon careful consideration of the material available on record, as well as submissions made by the stakeholders, the Authority, in exercise of powers conferred upon it by Section 13(1)(a) of the AERA Act, 2008 hereby orders that:

- i. The Into Plane Service being provided by M/s Indian Oil Skytanking Private Limited (IOSL) at CSI Airport, Mumbai is "Material but Competitive". Therefore the Authority adopts 'Light Touch Approach' for determination of tariffs for the 2<sup>nd</sup> control period w.e.f. 01.04.2016 to 31.03.2021.
- ii. The Authority has decided to allow IOSL to continue the levy of tariffs existing as on 31.03.2016 for the First Tariff year (2016-17) of Second Control Period.





- iii. Tariff for the tariff year t2 and t3 i.e. FY 2017-18 and FY 2018-19 of the second control period for Into Plane Services provided by IOSL at CSI Airport Mumbai is determined as stated at Annexure – I.
- iv. IOSL should submit the Annual Tariff Proposal (ATP) for the Financial Year 2019-20 with the Annual Compliance Statement (ACS) for FY 2016-17 to FY 2018-19 well in time as per guidelines.
- v. The levy of new tariffs shall be effective from **01.01.2018**.

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

  
**(Puja Jindal)**  
**Secretary**

**To**

**M/s Indian Oil Skytanking Private Limited.,  
Fuel Farm Facility  
Bangalore International Airport  
Devanahalli  
Bangalore – 560 300  
(Through: Shri T S Dupare, Chief Executive Officer)**



**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,  
Safdarjung Airport New Delhi-110003.**





**M/s Indian Oil Skytanking Pvt. Limited**  
**Chhatrapati Shivaji International Airport (CSIA), Mumbai**  
**Tariff for the 2<sup>nd</sup> and 3<sup>rd</sup> tariff year (2017-18 and 2018-19) of 2<sup>nd</sup> control period**

Tariff Year	Aircraft Refueling	Aircraft De-fueling		Refueling of Aircraft with defueled product	
		Within 6 hrs	Beyond 6 hrs	Within 6 hrs	Beyond 6 hrs
Tariff year 2 (2017-18)/ effective from 01.01.2018	241.56	244.00	305.00	244.00	305.00
Tariff year 3 (2018-19)	265.72	268.40	335.50	268.40	335.50



भा.वि.आ.वि.प्रा.

AERA