

Order No. 19/2018-19

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

Date of Issue: 14.09. 2018

Service : Into-Plane Fueling Services
Service provider : M/s Indian Oil Skytanking Private Limited.
Airport : IGI Airport New Delhi.

In the matter of the Annual Tariff Proposal for third, fourth and fifth tariff year of the second control period (FY 2018-19 to FY 2020-21) submitted by M/s Indian Oil Skytanking Private Limited for providing Into-Plane fueling service at IGI Airport New Delhi

M/s Indian Oil Skytanking Private Limited (IOSL) is one of the Into Plane Fuelling Service (ITP) provider appointed by DIAL at Indira Gandhi International Airport (IGI), New Delhi. The Authority issued a Multi-Year Tariff Order (MYTO) No. 01/2011-12 dated 30.05.2011 in respect of M/s Indian Oil Skytanking Private Limited (IOSL) for provision of Into Plane Services (ITP) at IGI Airport, New Delhi wherein the Authority decided to adopt 'Light Touch Approach' for determination of tariff for the first Control Period and determined annual tariff for the first Tariff Year (2011-2012). The Authority vide its Order No. 06/2012-13 dated 19.06.2012 determined Annual Tariffs for the 2nd tariff year (2012-2013). Thereafter, the Authority vide its Order No.3/2013-14 dated 16.04.2013 determined tariffs for the 3rd, 4th and 5th tariff year of the first control period.

2. M/s IOSL vide their letter dated 24.03.2016 submitted its Multi Year Tariff Proposals (MYTP) and Annual Tariff Proposals (2016-17 to 2020-21) for the second control period (01.04.2016 to 31.03.2021) for its Into Plane fueling service provided at IGI Airport, New Delhi. The Authority vide Order No. 04/2017-18 dated 12.06.2017, decided to adopt light touch approach for determination of tariff for the 2nd control period and also determined the tariffs for 1st tariff year and 2nd tariff year. No increase in tariff was given in the first tariff year (2016-17), however in the second tariff year (2017-18), 5% increase on previous year tariff, was considered.



3. The Authority further vide Order No. 43/2017-18 dated 28.03.2018, allowed to continue levy of tariffs existing as on 31.03.2018, for a further period of six months w.e.f. 01.04.2018 or till determination of tariffs for the Second control Period whichever is earlier.

4. M/s IOSL, vide letter dated 14.12.2017, submitted the Annual Tariff Proposals (ATPs) for third (FY 2018-19), fourth (FY2019-20) and fifth (FY2020-21) tariff year, seeking an increase of 5% year on year. They also submitted the justifications for revision in their rates.

5. The Authority considered the submissions made by IOSL and issued the Consultation Paper No. 09/2018-19 dated 20.07.2018 wherein the Authority proposed to continue the same tariff, existing as on 31.03.2018 for third tariff year (FY 2018-19), fourth tariff year (2019-20) and fifth tariff year (2020-21, upto 31.07.2020). The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal latest by 13th August, 2018. In response to the proposal contained in the Consultation Paper, comments have been received from M/s Hindustan Petroleum Corporation Limited, M/s Indian Oil Corporation Limited (IOCL) and M/s Indian Oil Skytanking Private Limited (IOSL) itself. The comments received from these stakeholders were uploaded on AERA's website vide Public Notice No. 17/2018-19 dated 20.08.2018. Brief details of the comments received are given hereunder:

5.1 Hindustan Petroleum Corporation Limited (HPCL): M/s HPCL vide letter No. AVN:RDT:AERA dated 13.08.2018 has stated that they agree to the proposal made in the said consultation paper to continue the existing tariff as on 31.08.2018 for 3rd, 4th, and 5th tariff year of the second control period, however any revision of Into Plane Service Charges should be approved on prospective basis only.

5.2 Indian Oil Corporation Limited (IOCL): M/s IOCL vide letter No. IOC/BD/AERA/DELHI/IOSPL dated 01.08.2018, has stated that the charges of Into Plane services of M/s IOSL as proposed by the Authority, are same as applicable on 31.03.2018, hence IOCL has no comments to offer. They further stated that any revision of Into Plane Charges may only be approved on prospective basis.

5.3 Clarifications on the comments of HPCL and IOCL given by M/s IOSL: M/s IOSL vide letter no. IOSL-CO//DELITP-CP09/2018-19 dated 24.08.2018, on the comments from M/s HPCL and M/s IOCL, has stated that the Authority has been approving the tariff orders on prospective basis only. They have further stated that for the suppliers –IOCL and HPCL, the ITP service fee is not a cost to them but a non-burden 'pass through' cost element, which does not affect them directly or indirectly. IOSL also stated that the ITP service fee is miniscule part of price of the fuel (less than 1% of the fuel cost) which does not affect the price of the fuel to the airlines. IOSL further stated that the other stakeholders like IATA/FIA have refrained from submitting any comments presumably because they do not consider ITP fee as a major impacting factor in their overall cost on account of fuel.

5.4 Comments of IOSL on Consultation Paper: M/s IOSL vide their letter no. IOSL-CO/DELITP-CP09/2018-19 dated 13.08.2018, has submitted their detailed comments on the proposal of the aforesaid consultation paper which are briefly mentioned hereunder:



- 5.4.1 M/s IOSL stated that the growth in volume and revenue are highly dynamic as they are a function of commercial arrangements between the airlines and the Oil Marketing Companies with whom IOSL has user agreements. The down side risk of volume reduction and consequential revenue reduction is assumed by them, as the trained manpower and its associated costs for the most critical activity on an aircraft at ground, continues even when the volume decreases. Hence, examination of their submission to arrive at a conclusion only on the Annual Compliance Statement data is deprived of a holistic approach to the service provided by them.
- 5.4.2 M/s IOSL further stated that the Authority's approach to consider their tariff based on the average RAB is grossly inappropriate, as the asset value decreases over the years and cost of maintaining these assets increases at a rate higher than at which it depreciates. Further, the service provided is primarily manpower driven and the employee cost increases each year. Further, the Authority issued Order no. 04/2017-18 dated 12th June 2017, which came into effect on 15th June 2017, the delay has deprived the Company of escalated tariff which was due quite earlier.
- 5.4.3 M/s IOSL stated that in accordance to the Order no. 4, submitted its revised tariff proposal on 14th December 2017 in view of operations commencing at Terminal 2 of the IGI Airport with almost 40% of the flights being serviced through refuellers, for timely revision effective 01st April 2018. However, the same rate was continued vide the Authority's interim Order NO. 43/2017-18 dated 28th March 2018. It was brought to the authority's attention that fueling through refuellers is much more expensive than using hydrant dispensers.
- 5.4.4 M/s IOSL stated that the Authority's selective approach to guidelines and that too when their tariff proposal falls under the light touch approach is inappropriate. Rather the process of Authority's examination is at par with price cap method. Thus the Guidelines set for discharging its functions is being defeated.
- 5.4.5 M/s IOSL has stated that the proposed 5% escalation sought would only increase the cost by 1 paise per litre of fuel delivered to the end consumer. Even with this increase, the ITP Service fee is only 0.3% of the current price ATF at Delhi. Denial of this escalation will result in decreased ability to plan growth, upgrade system, processes, leverage IT and upgrade safety features at par with international standards on a long term basis. It is felt that demonstrating efficiencies in their operation by being lean, proficient and optimization of their processes is being punished rather than being rewarded. Thus it ushers in a discouraging environment for investor sentiments, particularly foreign investors which brings in international best practices and safety standards. This would also discourage any new player intending to enter into this segment thus defeating the purpose of lowering costs for the end consumer.
- 5.4.6 M/s IOSL further mentioned that the Authority vide its Consultation Paper No. 10/2018-19 dated 01st August 2018 in respect to tariff proposal for the third, fourth and fifth tariff year of the Second Control Period in respect of



M/s Bharat Star Service (Delhi) Private Limited (BSSPL) for providing into plane services at IGI Airport, New Delhi, has proposed the current rate of Rs. 199.67 per KL to continue until 31st March 2019 and then provide for 5% escalation on the rate for the T4 (FY 2019-20) and T5 (FY 2020-21- until 31.07.2020). This is against the basis on which, the into place service providers are selected through a competitive bidding process and the ITP Fee must remain the same for both service providers at an airport.

5.4.7 M/s IOSL has requested that keeping in view of their submissions, their proposed tariff escalation of 5% year-on-year as per the ATPs submitted by them for 3rd, 4th and 5th tariff year, may be considered.

6. Views of the Authority

- 6.1 The Authority observed that IOSL has submitted the tariff card with 5% escalation year on year for the tariff year T3 to T5 i.e FY.2018-19 to FY.2020-21. The Authority has carefully examined and considered the comments of BPCL and HPCL.
- 6.2 The Authority also examined the comments of IOSL on the proposal of consultation paper i.e. the volumes, return on average RAB, commencement of Terminal-2 operations, light touch approach for regulation, 5% increase given to its competitor M/s BSSPL in tariff year 4 etc. The Authority reiterates that even in the light touch approach, the Authority examines margins, the growth of profit, return on RAB as well as other aspects such as operating cost including manpower cost while considering the proposals. It is observed that as per submissions made by IOSL that return on average RAB is high, operating profit is high. Growth in volume is reasonable. The Authority has examined all these aspects of the proposal. Further any change in tariff has to be given prospectively. IOSL has commenced ITP service at Terminal-II only recently. The effect of the same on the Revenue and expenditure is yet to be quantified. It is also felt that the rate determined by the regulator is based on many factors like sales, volume, cost, profit margin etc. It is also felt that the maximum rate determined by AERA need not be same for all service providers. In fact the lower rate should help them to be more competitive and get more business.
- 6.3 Considering all the above facts, the Authority has decided to continue the levy of tariffs existing as on 31.03.2018 for the third Tariff Year (2018-19), fourth tariff year (2019-20) and fifth tariff year (2020-21, upto 31.07.2020) of Second Control Period. However if at any time during the control period, IOSL feels the returns are not sufficient, may ask for revision with compliance statement.

7. ORDER

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

- i. The Authority decided to allow IOSL to continue the levy of tariffs existing as on 31.03.2018 for the Third Tariff year (2018-19), Fourth Tariff year (2019-



20) and Fifth Tariff year (2020-21, upto 31.07.2020) of the Second Control Period as at **Annexure-I**.

**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)**



**भा.वि.आ.वि.प्रा.
AERA**

Annexure I

M/s Indian Oil Skytanking Private Limited					
IGI Airport, New Delhi					
Tariff Card for the 3rd, 4th and 5th Tariff Year of Second Control Period					
(Amount in Rs. Per Kl)					
Period	Fuelling of Aircraft	Defuelling of Aircraft		Refuelling of Defuelled Product	
		Within 6 Hours	Beyond 6 Hours	Within 6 Hours	Beyond 6 Hours
Tariff year 3 (2018-19) Tariff Year 4 (2019-20) Tariff year 5 (2020-21) up to 31.07.2020	199.67	199.67	300.18	249.26	300.18



भा.वि.आ.वि.प्रा.
AERA