



**Airports Economic Regulatory Authority of India**

**TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL AND ANNUAL TARIFF PROPOSAL( T<sub>1</sub> to T<sub>5</sub>) FOR THE SECOND CONTROL PERIOD IN RESPECT OF M/s INDIAN OIL SKYTANKING PRIVATE LIMITED (IOSL) FOR PROVIDING INTO PLANE SERVICES AT CSI AIRPORT, MUMBAI.**

**New Delhi: 11<sup>th</sup> April, 2017**

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

## **1. Brief Background:**

- 1.1 M/s Indian Oil Skytanking Private Limited (IOSL) is providing into plane services at CSI Airport, Mumbai w.e.f. 01.01.2015. The Authority vide its Order No. 12/2015-16 dated 27.05.2015 decided to adopt 'light touch approach' for determination of tariff for the first Control Period and determined the Annual Tariffs for 2014-15 and 2015-16.

## **2. Submissions made by IOSL**

- 2.1.1 IOSL vide their letter no. AV/AERA/Mumbai-ITP/MYTP 2016-17 to 2020-21 dated 24.03.2016 submitted their Multi Year Tariff Proposal and Annual Tariff Proposal for determination of tariffs for the second control period for providing Into Plane Services at CSI Airport, Mumbai.
- 2.1.2 IOSL has sought approval for tariffs for the second control period under "Light Touch" approach and proposed an increase of 34% in 1<sup>st</sup> tariff year ie. 2016-17 and annual escalation of 8% has been proposed for remaining period of 2<sup>nd</sup> control period. A comparative statement of proposed tariff and existing tariff is placed at Pg 6 as **Annexure - I**
- 2.2 IOSL has also submitted the Annual Compliance Statements (ACS) for all the tariff years of the first control period.(FY.2011-12 to FY. 2015-16.)
- 2.3 IOSL in their submission has stated as follows:
- 2.3.1 IOSL's Agreements with Fuel Farm Operator, MAFFPL and Fuel Suppliers are prevailing since commencement of operation.
- 2.3.2 The information provided in the MYTP formats and other forms are confidential business information and submitted for AERA's perusal. IOSL has requested that same may not be put in the public domain for protecting their business interests and maintaining appropriate confidentiality. IOSL has also requested to maintain the confidentiality of the terms of agreements entered into with fuel suppliers.
- 2.3.3 Estimated cost of CAPEX during the 2<sup>nd</sup> control period is Rs. 20 crores and no external debt has been proposed for funding this CAPEX.
- 2.3.4 **Operating Expenses :**

The following are the key points taken into consideration while working out the various operating expenses as submitted by IOSL vide mail dated 22.02.2017 is placed at Pg 7 as **Annexure - II**.

- (i) Annual cost escalation of 5%
- (ii) Increased Land Licence Fee sought by MIAL and MAFFL 12%
- (iii) Increase in Manpower cost due to additional deployment of manpower as per the requirement of DGCA 6%
- (iv) Increase in expenses for office space and porta cabin for running the operations 11%

### **3 Principles for Determination of Aeronautical Tariff**

- 3.1 As per clause 3 of the CGF Guidelines, the Authority shall, prior to the commencement of a Control period, follow a three stage procedure for determining its approach to the regulation of Regulated Service(s) as under:
- Stage 1: The Authority shall first assess 'Materiality' according to provisions of Clause 4;
- Stage 2: The Authority shall then assess 'Competition' according to provision of Clause 5; and
- Stage 3: The Authority shall then assess the reasonableness of existing User Agreement(s), according to provision of Clause 6.
- 3.2 The materiality index for service provided for supplying fuel to the aircraft at a major airport A shall be defined as:
- Materiality Index (MIF)
- $$= \frac{\text{Fuel Throughput in Kilolitres at a major airport A}}{\text{Total Fuel Throughput in Kilolitres at Major Airports}} \times 100$$
- Where 'Fuel Throughput in Kilolitres' represents the actual fuel off take in Kilolitres per annum at the major airport A.
- Where 'Total Fuel Throughput in Kilolitres' represents the sum total of actual fuel off take in Kilolitres per annum at all Major Airports.
- (ii) Where the MIF as calculated above is 5% or more at a major airport, the service provided for supplying fuel to the aircraft at major airport A shall be deemed 'material'. If MIF is below 5% then the service provided for supplying fuel to the aircraft at major airport A shall be deemed 'not material'.
- 3.5 As per clause 5.1 of the guideline *"where regulated service is being provided at a major airport by two or more service provider(s), it shall be deemed 'competitive' at that airport. If a regulated service is provided by less than two service provider(s) it shall be deemed not competitive."*
- 3.6 As per Clause 6 of Guidelines, the Authority shall consider the existing User Agreement(s) as reasonable provided that:
- (i) *"The Service Provider submits existing User Agreement(s) between the Service Provider and all the User(s) of the Regulated Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulated Service(s) and*
- (ii) *The User(s) of the Regulated Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s) which have not been appropriately addressed"*.
- 3.7 As per Clause 3.2 (i) of the Guidelines, wherever the regulated service provided is 'material but competitive', 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. However, the Authority reserves the right to review materiality assessments, competition assessments

and the reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary.

- 3.8 In terms of Clause 7.3 & 7.4 of the Guidelines, the Authority shall upon due consideration of the MYTP and stakeholder consultations thereon make a MYTO for a Control Period. As per Clause 11.2, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I and should be supported by the following documents:
- 3.8.1 Form B and Form 14(b)
  - 3.8.2 Details of consultation with stakeholders
  - 3.8.3 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

#### **4 Examination**

- 4.1 The service rendered by IOSL for providing ITP services at CSI Airport, Mumbai is an “aeronautical service” in terms of section 2(a) of the Airports Economics Regulatory Authority of India Act, 2008 (Act) whereas under section 13 (1)(a) of the Act, the Authority is required to determine tariff for aeronautical services.
- 4.2 The Materiality Index (MI) for ‘supply of fuel’ services at CSI Airport, Mumbai is 24.29 % (Fuel throughput for CSI Airport, Mumbai =1508000 KL & Total Fuel throughput for major airports =6209056 KL) based on the fuel throughput statistics for the FY. 2014-15. As the MI is more than the threshold limit of 5%, the ITP service at CSI Airport, Mumbai is deemed as ‘material’.
- 4.3 As regards competition, M/s Bharat Star Services Pvt Ltd (BSSPL) is also providing ITP services at CSI Airport, Mumbai. As there are two service providers rendering ITP services, the ITP services are deemed as ‘Competitive’ at CSI Airport, Mumbai.
- 4.4 The Authority determined tariff for IOSL under “Light Touch Approach” during the first control period as indicated in para 1.1 above as the ITP service rendered by IOSL at CSI Airport, Mumbai was ‘material but competitive’. As the scenario is same, the Authority proposes to adopt a “Light Touch Approach” to determine the tariffs for second control period also.
- 4.5 The comparative scenario of revenue, cost, yield per unit and return on average RAB as per Annual Compliance Statement based on the submissions of IOSL is placed for perusal at Pg 9 as **Annexure-III**. According to the Comparative Statement of the ACS, IOSL has invested Rs.12 crore during 2014-15 and Rs.12 crore during 2015-16 and making profit since commencement of operation at Mumbai. The Return on RAB is 27% for the F Y 2015-16. The projected growth in volume for F Y 2016-17 is 7.42% comparing to 2015-16.
- 4.7 IOSL in their Annual Tariff Proposal has submitted Form-B, Form 14(b) and copy of valid user agreements. However, proof of stakeholder consultation meeting has not been attached with the submission.

## 5 Proposal

The Authority, after careful consideration of the MYTP and ATP for FY. 2016-17 to FY.2020-21 makes the following proposal for stakeholder consultation:

- 5.1 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 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.
  - 5.2 M/s IOSL proposed an increase of 34% from the existing tariff for 2016-17 and 8% increase on year over year for subsequent years of second control period as per the tariff card placed at Pg 10 as **Annexure – IV**. However, in view of significant growth in volume, the operating profit of 22% and return on RAB 27%, **the Authority proposes 10% increase in existing tariff for 2016-17 i.e. 1<sup>st</sup> tariff year of second control period considering the cost of additional manpower meeting the DGCA requirement & annual cost escalation. The Authority also proposes to continue the above rates for 2<sup>nd</sup> tariff year i.e. 2017-18. Further the Authority will review the Annual Compliance and decide the tariff for remaining period of the second control period later.**
6. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 5 above is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed as annexures to the consultation paper. For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decision fully documented and explained in terms of the provisions of the Act.

The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 5 above, latest by Monday, **the 8<sup>th</sup> May, 2017** at the following address:

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

**1.1.1 Email: [puja.jindal@nic.in](mailto:puja.jindal@nic.in)**

**Tel: 011-24695042**

**Fax: 011-24695039**

**S. Machendranathan  
Chairperson**

# ATP ,IOSL MUMBAI

Annexure - I

Tariff Year		Aircraft Fuelling	Aircraft De-Fuelling		Aircraft Re-Fuelling De-Fuelled Product		Aircraft Fuelling	Aircraft De-Fuelling		Aircraft Re-Fuelling De-Fuelled Product	
			Within 6 Hrs.	Beyond 6 Hrs.	Within 6 Hrs.	Beyond 6 Hrs.		Within 6 Hrs.	Beyond 6 Hrs.	Within 6 Hrs.	Beyond 6 Hrs.
1st Control Period	Tariff Year -4 (2014-15)	198.00	200.00	250.00	200.00	250.00	Percentage Increase Year on Year				
	Tariff Year-5 (2015-16)	198.00	200.00	250.00	200.00	250.00					
2nd control Period	16-17	265.08	267.73	334	267.73	334	34	34	34	34	34
	17-18	286.29	289.15	360.73	289.15	360.73	8	8	8	8	8
	18-19	309.15	312.24	389.53	312.24	389.53	8	8	8	8	8
	19-20	333.92	337.26	420.74	337.26	420.74	8	8	8	8	8
	20-21	360.94	364.25	454.41	364.25	454.41	8	8	8	8	8



Subject: Justification - Mumbai ITP (IOSPL)

To: jaimon.skaria@gov.in

Cc: 'TS Dupare' <tsdupare@indianoilskytanking.co.in>, joydeepsarkar@indianoilskytanking.co.in,  
"A.P.Acharya" <apacharya@indianoilskytanking.co.in>

Date: 02/22/17 11:41 AM

From: shantanu &lt;shantanu@indianoilskytanking.co.in&gt;

Covering Letter to AERA for Revision in ITP Fee at... (302kB)

Dear Sir

Please refer to the discussions we had on the subject of justification sought for increase in tariff from Rs 198 / kl to Rs 265.08 / kl wef 01<sup>st</sup> April 2016. In this regard you are requested to refer to earlier our letter no AV/IOSPL/Mum ITP dated 20<sup>th</sup> July 2015 where in increase in tariff from 198/ kl to Rs 243.00 / kl wef 01<sup>st</sup> April 2015 was sought & for which justifications were also furnished. Copy of the letter is enclosed for your easy reference. However the above hike was not considered by AERA and we were asked to submit the same during the second control period.

We had submitted the tariff submissions for the second control period.

The reconciliation of the amount taking the broad heads as arrived at by us for the second control period for Mumbai ITP as arrived at by us is as under :

A	Current Rate		198.00
B	Increase on account of annual 5% increase for 2016-17		9.90
C	(A + B)		207.90
D	Increase due to escalation in Land Licence Fees for ITP Depot Land by MIAL & MAFFFL	21.22	22.91

	(Refer our letter dated 20 <sup>th</sup> July 2015)		
	7.50% escalation for the period 2016-17	1.69	
E	(C + D)		230.81
F	Increase due to Additional Manpower Cost due to meeting the requirement of DGCA for two men deployment for refuelling with dispensers. (Refer our letter dated 20 <sup>th</sup> July 2015)		12.50
G	(E+F)		243.31
H	Increase on account of enhanced expenses for office space & porta cabin including enhanced deposit cost for running the operations (amount payable to Airport Operator)		21.79
I	(G + H) Tariff wef 01 <sup>st</sup> April 2016 as per IOSPL		265.10

It may please be noted that ITP operators have now been informed by MIAL that they shall not be allowed to construct the ITP depot on the land provided by MIAL (as the same is in Airside operational area) and shall be required to rent the space for ITP Office and Porta Cabin in the parking area from MIAL. The per kl rates as worked on account of the additional cost for office space is Rs 21.79 / kl. Also the land rentals / office space rentals would be increased by 7.50% by MIAL on year on year basis

You may kindly note that we are bound to ensure confidentiality of our client agreements and its terms and the disclosure made herein above is to ensure compliance with the AERA Guidelines.

Thanxs & regards

Shantanu Saxena  
Chief Financial Officer



**Annexure - III**

**Comparative Statement of ACS for Tariff Year 4 to 5**

(TOTAL REVENUE-TOTAL COST)

( Refer AI.9 of the Guidelines and Form No. 16)

Operation Commenced w.e.f. 01.01.2015

ISP: Indian Oil Sky Tanking , Mumbai			Rs. In Lakhs	
Sl No.	Particulars		Tariff years 2014-2015	Tariff years 2015-2016
	Performance Report for the years		Actual	Actual
1	<b>Revenue:</b>			
1.1	Regulated Services- I T P	1	474.71	2006.47
1.2	Other than Regulated Services	2	0.00	0.00
	<b>A Total Revenue</b>		<b>474.71</b>	<b>2006.47</b>
2	<b>Expenditure:</b>			
2.1	Operating Expenditure	3	401.77	1275.20
2.2	Depreciation	4	4.76	291.87
	<b>A Total Expenditure</b>	5	<b>406.53</b>	<b>1567.07</b>
3	<b>Regulatory Operating Profit</b>	1+2-5	<b>68.18</b>	<b>439.40</b>
4	<b>CAPEX</b>			
4.1	<b>Opening RAB</b>		0.00	1171.79
4.2	Capitall Expenditure		1176.55	1226.98
4.3	Disposals /Transfers		0.00	0.00
4.4	Deprication		4.76	291.87
4.5	<b>closing RAB</b>		1171.79	2106.90
4.6	<b>Average RAB{(4.1+4.5)/2}</b>		<b>585.90</b>	<b>1639.35</b>
5	<b>Return on Average RAB (3/4.6)</b>		<b>12%</b>	<b>27%</b>
6	B Total Volume (Fuel Throughput)		239426.47	1008420.63
7	Actual Yield Per Unit (A/B)		198.27	198.97

# IndianOil Skytanking

ISO 9001:2008, ISO 14001:2004 Certified

Ref / AV/AERA/Mumbai – ITP / MYTP 2016-17 to 2020-21  
Dated 07<sup>th</sup> September 2016

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

Dear Madam,

**Subject: Multi Year Tariff proposal for second control period 2016-17 to 2020-21 for determination of Tariff for “Into Plane Service Fee” for Into Plane Services provided by M/s IndianOil Skytanking Pvt Ltd. (IOSPL) at Chhatrapati Shivaji International Airport, Mumbai**

Please refer to our earlier letter dated 08<sup>th</sup> March 2016 wherein we had submitted our Multi Year Tariff proposal for second control period 2016-17 to 2020-21 for determination of Tariff for “Into Plane Service Fee” for Into Plane Services provided by M/s IndianOil Skytanking Pvt Ltd. (IOSPL) at Chhatrapati Shivaji International Airport, Mumbai. The proposal was submitted timely by us online as per the AERA requirement.

2. As per the proposal submitted the following tariff for the second control period for 5 years beginning 01<sup>st</sup> April 2016 to 31<sup>st</sup> March 2021 were requested for approval.

Tariff Year		Aircraft Fulling	Aircraft De-Fuelling		Aircraft Re-Fuelling De-Fuelled Product into an Aircraft	
			Within 6 hrs.	Beyond 6 hrs.	Within 6 hrs.	Beyond 6 hrs.
2 <sup>nd</sup> Control Period	Tariff Year – 1 (2016-17)	265.08	267.73	334.00	267.73	334.00
	Tariff Year – 2 (2017-18)	286.29	289.15	360.73	289.15	360.73
	Tariff Year – 3 (2018-19)	309.15	312.24	389.53	312.24	389.53
	Tariff Year – 4 (2019-20)	333.92	337.26	420.74	337.26	420.74
	Tariff Year – 5 (2020-21)	360.94	364.25	454.41	364.25	454.41

3. It is pertinent to mention that for our tariff submission for the First Control Period, the Authority decided to adopt “Light Touch Approach” for determining the tariff for the first control period in respect of Into Plane Services being provided by M/s IndianOil Skytanking Pvt Ltd (IOSPL) at Chhatrapati Shivaji International Airport, Mumbai in view of the services being “Material & Competitive” & based on the reasonableness of the user agreement entered into with the users.
4. Vide Order No. 50/2015-16 dated 16<sup>th</sup> March 2016, issued on 31<sup>st</sup> March 2016, Independent service providers providing aeronautical services at major airports were asked to continue charging the tariff as prevalent on 31<sup>st</sup> March 2016 for a period of six months w.e.f 01<sup>st</sup> April 2016


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or till determination of tariffs for the second control period whichever is earlier. You would appreciate that five months have already elapsed since the beginning of the 2<sup>nd</sup> control period and the consultation for tariff approval is awaited.

5. Pending the AERA approval process, we hereby sincerely request the authority to accord interim approval for the rates requested at para 2 above. We shall abide by the AERA approvals once the authority issues the final order and any adjustments vis-à-vis interim and the final order as applicable shall be made by us.
6. In view of the above, we request you to kindly issue interim order approving revision for the 2<sup>nd</sup> control period, as requested.

Thanking you,

Yours truly  
For IndianOil Skytanking Private Limited

  
Shantanu K Saxena  
Chief Financial Officer