

भारत पेट्रोलियम कॉर्पोरेशन लिमिटेड

(भारत सरकार का उपक्रम)
विमान व्यवसाय इकाई



BHARAT PETROLEUM CORPORATION LTD.

(A GOVT. OF INDIA ENTERPRISE)

Aviation Business Unit

AV.HO.AERA

24th January, 2012

Capt. Kapil Choudhry

Secretary,

Airport Economic Regulatory Authority of India

AERA Building, Admin. Complex,

Safdarjung Airport, New Delhi- 110 003

Sir,

Sub: BPCL's Comments on Determination of Aeronautical Tariff in respect of IGI Airport, New Delhi for the 1st Regulatory Period (01.04.2009 – 31.03.2014).

We have examined Consultation Paper No. 32 along with all Annexure for determination of Aeronautical Tariff in respect of IGI Airport, New Delhi for the 1st Regulatory Period (01.04.2009 – 31.03.2014) submitted by DIAL for approval by Authority.

Our comments are as follows:-

1. We concur to the view expressed in Para 467 (a) that proposal of Authority that the 5 year regulatory period may be considered from 1st April 2009 to 31st March 2014. We have always had a view that **any change in fee for the collection from the Airlines should be from a prospective date.** Hence, the collection period should be w.e.f 01.04.2012. Accordingly the tariff increases would be on 01.04.2012 and 01.04.2013 and not in the current financial year.
2. As per Para 467 (b) (xxviii) DIAL have treated revenue received from Cargo, Ground Handling and ITP services as non-aeronautical revenue. The Authority proposes to accept the same to the extent the services are not provided by DIAL. However, we are of the view that ITP services as per the Act is "aeronautical service" which is as per Para 2 (a) (vi) is "any service provided for supply of fuel to the aircraft at the airport and its and determination of its tariff should be as per Para 13(1) (a). ITP Charges have already been considered as 'aeronautical' and have been regulated and approved by Authority vide Order No. 1 & 2 of 2011-12 at IGIA T-3 and Order No. 20 and 27 of 2011-12 at BIAL for IOSL and BSSPL respectively.
3. Para 467 (b) (xxxi)- Increase in FTC w.e.f. 01.04.2011- DIAL have requested for an increase of 7% in the fuel throughput charges on the basis of their contractual arrangements.

BPCL had been made to agree the Fuel Throughput Fees charges arrangement by DIAL. We oppose such a charge for the following key reasons:-

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Strategic
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- The lack of justification and rationale for charging Fuel Throughput Fees;
- Fuel Throughput Fees significantly increases the cost of fuel; and
- Airport Operators use overwhelming market power.

DIAL has neither provided any assets required for storage nor provides any service for refueling .At Delhi airport, the assets are constructed, owned, operated and maintained by DAFFPL/Oil companies. We have been paying DIAL for use of the land in the way of fair, market rates rents and commercial license fees. FTC or "Throughput Fee" is charged in addition to land license fee. Hence , there is no cost basis for charging FTC .

Further, it is pertinent to note that the ATF sales at Delhi Airport has increased considerably since the time tariff had been fixed. FTC amount is directly proportional to ATF sales. ATF volumes in 2010-11 was 1,980, 273 K.L which is 26 % more than in 2009-10. Even with frozen rate of Fuel Throughput Charge, it translates into 26 % increase in payment to DIAL on account of FTC. In Rupee terms, at the prevailing rate of FTC , it translates into increase from Rs 88 Crore to Rs. 112 Crore . A charge paid which is without commensurate services from DIAL.

Internationally, only one aeronautical fee is levied by Operator which is with respect to Infrastructure and Opex charges for fuel facilities at the airport.

BPCL proposes that AERA should remove FTC or at best fix a lumpsum charge for FTC which should not be related to ATF sales.

We have observed that DIAL has not considered the revenue received from the Infrastructure and Opex charges received from DAFFPL as part of JVC and as Concessionaire to various agencies related with fuel supplies.

Thanking you,
Yours truly,
For **Bharat Petroleum Corporation Ltd.**


A D Jadhav
Chief Manager Aviation