

इंडियन ऑयल कॉर्पोरेशन लिमिटेड

प्रधान कार्यालय

इंडियन ऑयल भवन, जी-9, अली यावर जंग मार्ग,
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विपणन प्रभाग

Marketing Division

AV/RS/AERA

24th January, 2012

Capt. Kapil Chaudhary
Secretary,
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdurjung Airport, New Delhi - 100 003

Handwritten notes:
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Mg (R)
Rd (R)
2/2



Sub: Comments on Consultation Paper no. 32/2011-12 dated 3rd January, 2012 - Determination of Aeronautical Tariff in Respect of IGI Airport, New Delhi for 1st Regulatory Period (01.04.2009 – 31.03.2014)

Dear Madam,

This refers Consultation Paper no. 32/2011-12 dated 3rd January, 2012. We would like to submit our comments on Fuel Throughput Charges (FTC), as proposed in sub clause xxxi of para 467 of the subject Consultation Paper, as under:

- i) It is not clear as to whether the increase of 7% in FTC w.e.f 01.04.2011, as mentioned in the Consultation Paper, is proposed for one year, i.e. till 31.03.2012 or for the complete regulatory period i.e. till 31.03.2014. We would like to submit that an escalation formula for FTC has earlier been agreed to between DIAL and fuel Suppliers at Delhi airport on 25.01.2010. As per the formula, which was applicable for 15 years w.e.f 2009-10, there would be a minimum escalation of 5% per annum over previous year and escalation in excess of 5% is to be linked to Wholesale Price Index (WPI), with a cap of 7%. A copy of the MOM is enclosed for reference. As such, "year on year escalation of 7% ..." as mentioned in para 410 of the Consultation Paper is not in line with the contractual agreement, that the PSU oil Suppliers have with DIAL.
- ii) As per sub clause xxxi of para 467, the Authority proposes to revise the FTC on retrospective basis, w.e.f 1.04.2011. Vide our earlier letter ref. AV/RS/AERA dated 23rd March, 2011 (copy enclosed for reference), we had requested AERA that approval of tariffs/ rates/ including fuel throughput charges for the first control period may please be finalised at the earliest possible and revisions if any, may be made from prospective date.

Since the charges as on 1.04.2010 were approved by AERA on ad hoc basis, vide order no. 07/2011-12 dated 4th November, 2010, the recovery of these charges from the airlines is continuing only at the rates as on 1.04.2010. As these charges can be recovered from the airlines only on prospective basis, implementation of increased tariff on retrospective basis is liable to result in financial loss to the Suppliers.

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In view of the above, we would like to submit our suggestions/ recommendations as under:

- a) Clarification on the period of applicability of the proposed increase in FTC may be provided, as to whether the escalated rate is proposed for one year, i.e. till 31.03.2012 or for the complete regulatory period i.e. till 31.03.2014.
- b) The annual escalation of the FTC, if proposed, may be made in line with the escalation formula agreed to between DIAL and PSU fuel Suppliers, vide MOM dated 25.01.2010 which mentions that "a minimum escalation of 5% per annum over previous year and escalation in excess of 5% is to be linked to Wholesale Price Index (WPI), with a cap of 7%" and not on "year to year escalation of 7%".
- c) The proposed increase may be made effective only on prospective basis, in order to avoid any financial loss to Suppliers. The present ad hoc charges should be continued till the revised charges are made effective by AERA.

Thanking you,

Yours Faithfully,
for Indian Oil Corporation Ltd.

Handwritten signature in blue ink, appearing to read 'R Sitharthan', with the date '24/01/2012' written below it.

(R Sitharthan, DGM(Avn)
for ED (Aviation)