

IndianOil Skytanking

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23rd March, 2013

Secretary,
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA (AERA)
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi 110 003

Kind Attn: Capt. Kapil Chaudhary (Retd)

Dear Madam,

Subject: Comments received from stakeholders against Consultation Paper No. 39/2012-13 dated 27.02.2013 in respect of Annual Tariff Proposal submitted by IndianOil Skytanking Limited for providing Into Plane Services at IGI Airport, New Delhi

We have received an email from the Hon'ble Authority requesting for comments on the submissions received by you from DIAL, HPCL, IOCL, BPCL and Reliance setting out their comments with respect to Annual Tariff Proposal submitted by IndianOil Skytanking Limited for providing Into Plane Services at IGI Airport, New Delhi.

We are happy to note that the DIAL and BPCL have agreed to the Annual Tariff Plan as indicated in the Para 4 of the Consultation Paper no 39/2012-13 dated 27.02.2013.

The following are our comments on the suggestions/comments/views submitted by the other Suppliers/stakeholders:

1) With respect to letter dated 8th March 2013, sent by **Hindustan Petroleum Corporation Limited**:

- a. In line with the request of HPC, AERA may kindly approve the tariff before 31.03.2013.
- b. In case there is procedural delay for administrative reasons, in granting the approval by the authority, M/s HPC may like to incorporate the proposed tariff (which is in line with the MYTP control period, already approved by AERA) in their pricing w.e.f. 1st April 2013.
- c. For the period 2014-15 (fourth year) and 2015-16 (Fifth year) the proposed tariff shall automatically become applicable on prospective basis upon approved order issued by AERA for the Annual Tariff Proposal.

2) With respect to letter dated 13th March 2013, sent by **Indian Oil Corporation Limited (IOCL)**:

The objections raised by IOC regarding escalation of tariff by 5% are untenable. We have sought an approval of increase in rates for ITP services at 5% per annum. You will kindly note that the WPI index in the last five years has never been less than 5%. Considering the WPI in the last five years was never less than 5%, the escalation proposed is within the permissible limits. There is no reasonable warrant for non assuming that the increase in WPI in future years is likely to be less than 5 %. It may please be noted that the Cost of inflation is far in excess of 5% and the rate at which wages are increased is far in excess of 5%. We seek approval for enhancement of rates at 5% as it is a reasonable increase in the rate and that is the increase to which we are entitled contractually. If in a given year our contractual entitlement falls below 5%, then notwithstanding approval we will only be entitled to charge as per our contractual entitlement. That however is not a factor that is germane for consideration for approval from this Hon'ble Authority.

In case there is procedural delay for administrative reasons, in granting the approval by the authority, M/s IOC may like to incorporate the proposed Tariff (which is in line with the MYTP control period, already approved by AERA) in their pricing w.e.f. 1st April 2013.

As per the request of IOC, the Hon'ble Authority is kindly requested to approve the proposal before 31st March 2013.]

3) With respect to letter dated 13th March 2013, sent by **M/s Reliance Industries Limited**:

The suggestion of M/s Reliance is not in line with our agreement with DIAL and the ITP Service Fee is a lump sum Fee on per KL basis, for provision of ITP Service Fee. The escalation proposed is very much in line with the Concession Agreement. The Tariff Fee was recovered through competitive bidding and also the escalation mechanism was part of the tender in which M/s Reliance had also participated. We are seeking escalation at 5% on our existing rates. Contractually we are not provided the liberty of increasing our costs on the basis of input costs. Given the fact that inflation is at almost double the rate of escalation sought, a working as suggested by Reliance will entitle us to an enhancement in excess of 5%. However this is not provided to us contractually. In fact the contractual rate of enhancement exposes us to a risk of loss and hence the amortized rate of about 5% annually, across the term of the contract. The suggestion that contractual mechanism itself should be replaced on the basis of cost of inputs will do violence to the cap on increase in ITP costs set in the contracts executed by DIAL with ITP Agents.

In view of the above, the suggestion of M/s Reliance is arbitrary and not justified.

It may be worthwhile to mention that the service provider takes the calculative Business risk for downward revision in the volumes. The Service Fee cannot be made function of the volumes and this methodology was neither envisaged in the Tender nor in the Concession Agreement. Moreover as mentioned above, the Fees charged from the Supplier was the lowest rate recovered through tendering process and the rates & escalation are part of long term model as envisaged in the DIAL tender.

We hope we have adequately replied to all the points raised by HPCL, IOCL and RIL.

We request that your approval for the Annual Tariff Proposal for the third, fourth and fifth tariff years submitted by us for providing ITP Services at IGIA, Delhi may kindly be expedited at the earliest as per the rates proposed at para 4 of Consultation Paper No.39/2012-13 dated 27.02.2013.

Thanking you

Yours truly,
For IndianOil Skytanking Ltd.,



23/03/2013

(T.S. DUPARE)
Chief Executive Officer