1 June 2018

Secretary
Petroleum and Natural Gas Regulatory Board, India (PNGRB)
First Floor, World Trade Centre,
Babar Road, New Delhi - 110001
Email: secretary@pngrb.gov.in

Dear Ms Vandana,

SUBJECT: (1) PUBLIC NOTICE NO: Infra/PPL /50/BPCL/MUMBAI-ATF/01/2018
(2) PUBLIC NOTICE NO: Infra/PPL /50/HPCL/MUMBAI-ATF/01/2018

IATA is the trade association for the world's airlines with 280 members comprising 83% of total air traffic. Our airline members include many that operate flights to India as well as airlines with India as their home base. Hence, IATA has strong interest in the public notices issued by PNGRB on 4 May 2018 (Public Notice No: Infra/PPL /50/BPCL/MUMBAI-ATF/01/2018 and Public Notice No: Infra/PPL /50/HPCL/MUMBAI-ATF/01/2018) concerning declaration of the BPCL and HPCL pipelines from their respective refineries to the airport in Mumbai, as common carrier pipelines. IATA welcomes the opportunity to provide its comments as follows.

Criticality of ATF Cost

For airlines operating around the world, ATF cost is either the top or second highest contributor to their operating cost. For airlines based in India, ATF cost is by far the highest contributor to their operating cost, alluding to the difficult local environment that they operate in, in respect of being able to procure ATF at relatively competitive prices.

Given the significance of fuel cost to airline operational cost, it is as expected that profitability of airlines is closely correlated to the cost of ATF. As seen in the chart on the next page, when fuel cost goes up, airline profit tends to drop.
ATF Cost in India

For a long time, it has been recognized that a lack of effective ATF supply competition at Indian airports is a primary contributor to the higher ATF prices when compared to airports outside India where supply competition is more effective. The chart below shows how ATF prices that airlines pay at DEL and BOM compare with some of these airports. The chart suggests that there is significant scope for ATF prices at BOM and DEL to come down if more effective ATF supply competition is present. Lower ATF cost supports sustainable growth of the Indian aviation industry which will be beneficial to India given the significant contribution of the aviation industry to economic and social development of a country.
Open Access to Key Fuel Infrastructure

For many years, IATA has been advocating for conditions to be changed that will promote effective ATF supply competition at Indian airports. Open access to key ATF supply infrastructure both on and off airport has been a clarion call.

At the major airports in India such as at DEL, BOM, BLR and HYD, there have been progress made in terms of putting in place common-use open access fuel infrastructure on airport. However, realization of more effective fuel supply competition cannot happen at most airports if on-airport open access is not complemented by open access to key fuel infrastructure for bringing fuel into the airport (e.g. pipelines). This is especially the case if there is only one viable mode for transporting fuel to the airport and the associated infrastructure (specifically, pipeline) comes under the ownership and control of an entity or entities which have vested interest in supplying ATF to the airport.

Situation at BOM

Mumbai Aviation Fuel Farm Facility Pvt. Ltd (MAFFFL) is a joint venture of Mumbai International Airport Pvt. Ltd. (MIAL) and the three Oil PSUs (BPCL, HPCL and IOCL) which is in the process of developing an integrated fuel farm at the airport based on open access to meet the airport’s current and future ATF demand.

The two pipelines that currently connect the HPCL and BPCL refineries in Mumbai to the existing fuel farm facilities will be re-routed to connect to the new integrated ATF Fuel Farm at the airport. These two pipelines are owned by HPCL and BPCL respectively. They are the only feasible means for transporting large amounts of fuel into Mumbai airport because road traffic congestion and scarcity of land around the airport do not allow the widespread use of road and rail as alternative modes of transportation of ATF to the airport nor the construction of additional pipelines into the airport.

Hence, for any ATF supplier to be able to compete on a level playing field, access to MAFFFL’s new integrated fuel facilities is not sufficient. Access to the two existing pipelines at reasonable tariffs is imperative. Access could be in the form of allowing feeder lines into these two pipelines from external storage facilities or usage of these pipelines through purchase of ATF directly from the existing HPCL and BPCL refineries.
Declaration of Pipelines as Common Carrier Pipelines

In view of the reasoning laid out above, IATA fully supports PNGRB' opinion that the two pipelines i.e.

1. BPCL's Mahul Refinery to Santacruz Airport petroleum and petroleum products (ATF) pipeline of Bharat Petroleum Corporation Limited (BPCL); and
2. HPCL's Mumbai Refinery to Mumbai Airport petroleum and petroleum products (ATF) pipeline of Hindustan Petroleum Corporation Limited (HPCL),

should be declared as common carrier pipelines to be regulated by PNGRB.

Additionally,
1. Access to the pipelines should be non-discriminatory and no unreasonable or artificial limits should be placed on capacity usage by each supplier.
2. Usage tariffs should be regulated and based on costs incurred, the use of proper depreciation policies tied to useful life of the assets and a reasonable return on investment.

Thank you.

Yours sincerely,

Malvyn TAN
Head, Commercial Fuel Services