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No. 748/4/L/LAC/74
Government of India,
Ministry of Defence (DG DE)
New Delhi-66 11 March 1989.

To

The Director, DE
Central/Eastern/Northern/Southern/Western Command.
Lucknow/Calcutta/Jammu/Poona/Panchkula.

Subject:- Long term agreement executed between the Ministry of Defence and Indian Oil Corporation regarding supply of Aviation fuel to IAF and construction of tankage aviation fuel station and bulk petroleum installation at IAF Air Fields.

A copy of agreement dated 12-12-1988 entered between the Ministry of Defence and the Indian Oil Corporation Ltd. for a period of 20 years from the date of agreement on the subject forwarded to us by the Air Wars. is sent herewith. It will be seen that paras 5 and 11 of the agreement relate to the method of calculation of rent for land made available/ to be made available to the Indian Oil Corporation for the purposes of constructing accommodation and Aviation Fuel Stations/Bulk Petroleum Installations at the IAF Airfields.

2. Although any formal policy letter covering the above provisions in the agreement has not yet been issued by the Ministry of Defence, yet in view of the agreement entered into the principles laid down therein for calculation of rent of defence land would have to be followed in so far as IOC is concerned and during the period of agreement. In para 11 of the agreement a graded pattern for working out the rental of land has been provided for depending upon the percentage of fuel off take from the individual AFS/BPI for non IAF purposes as against the total off take. Thus in order that appropriate rental amount gets calculated for land, not only the precise area of the land utilised by the IOC for the purpose is to be determined in association with the local Air Force authorities by the DEO concerned but the percentage of the off take of the fuel by the IOC of the total off take for non IAF purposes will also have to be carefully ascertained/verified by the DEO in association with the local Air Force authorities as well as IOC authorities. For the purpose it would be imperative that as regards the existing AFS/BPIs the DEOs must obtain a certificate in writing from the IOC authorities as regards the percentage of off take of fuel to the total of the off take for non IAF purposes since the inception of the tankages (AFS/BPI) year wise and the per cent as well as estimated percentage thereof for the next 5 years. This should be got verified from local IAF authorities as a rule. After this information is also obtained only then rental chargeable could be properly calculated by the DEOs in respect of AFS/BPI lands. Suitable methodology for working out details in future cases could be devised keeping the above factors into view.

P.T.O.2/-

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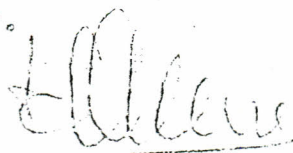
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3. Since para 11 of the agreement will also be applicable where secured tankages have already been constructed it would be the immediate task of the DEOs to obtain complete relevant information and details in respect of such cases from the local Air Force authorities as well as IOC authorities on an immediate basis and then to initiate self contained proposals for regularising the existing utilisation of lands by way of obtaining sanction of proper leases from Ministry of Defence. It is to be noted that the DEOs shall recover the rentals after formal Govt. sanction for grant of lease of land has been issued.

4. Similarly, cases where lands in the IAF airfields may already have been provided to the IOC for accommodation purposes these must also be immediately identified in association with the local Air Force authorities and necessary action for regularisation thereof should also be initiated by the DEOs. All the DEOs in your Command may be suitably advised to follow these instructions and take immediate steps to finalise the concerned cases.

5. Pending submission of detailed proposals by the DEOs, you are requested initially to obtain a complete list of all the existing cases pertaining to IAF airfields from the DEOs from where lands have already been made available to the IOC for accommodation purposes or for Aviation Fuel Station/Bulk Petroleum Installation, as the case may be, and forward the same to us consolidately for your command so as to reach us by 15th April, 1969.

Please acknowledge receipt.



Director General,
Defence Estates.

Copy to:-

The Director, DE MW, Meerut Cantt -
Alongwith a copy of agreement.

All DEOs

Joint Director, DE
Shillong

alongwith a copy of the agreement referred to above for most immediate necessary action. Receipt of this letter be acknowledged.

Air HQ, Cte of Air Force Works.

INTERNAL

Copy to:-

Directorate
All Sections in the Directorate General, DE
alongwith a copy of agreement for information

AGREEMENT BETWEEN THE GOVERNMENT OF INDIA,
MINISTRY OF DEFENCE AND M/S INDIAN OIL CORPORATION LTD.

FOR THE CONSTRUCTION OF TANKAGE AND SUPPLY
OF AVIATION FUELS TO THE INDIAN AIR FORCE

.....

An agreement made this Thirteenth day of December 1988 between the President of India (hereinafter referred to as "the Government" of the one part and the M/s Indian Oil Corporation Ltd., hereinafter referred to as "the Corporation", (which expression shall, where the context so admits include its successors and assigns) of the other part.

WHEREAS the Corporation is engaged in the business of storage and supply of aviation fuels and the Government is interested in the supply of aviation fuels for its aircraft operated by the Indian Air Force (IAF).

NOW IT IS HEREBY AGREED BY AND between the parties as follows:-

Responsibilities of the Government

1. The Government shall obtain supplies of aviation fuels from the Corporation to such an extent as to meet the requirements of the IAF at the airfields where the Aviation Fuel Stations are constructed/operated by the Corporation.
2. The Government shall give as much notice as possible if any substantial variation in off-take is expected at any airfield.

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3. The Government shall permit the Corporation to use such railway siding facilities as exist at present on payment of usual charges. Where no such facilities exist, the Corporation shall arrange for the same or shall make alternate arrangements.

4. The Government shall provide bowsers for refuelling unless the Corporation provides the same on mutual agreement.

5. Normal rent would be charged for land/building to be made available to the oil companies for accommodation purposes at places where installation happens to be far away from civil areas or where residential facilities for the essential staff are not readily available in the vicinity of oil installations.

Responsibilities of the Corporation

6. The Corporation shall :-

(a) Supply aviation fuels conforming to the specifications indicated by the Government, in the quantities and at locations required by the Government. In case the Government require the supply of aviation fuels which are not in the current range of the Corporation to meet the specified need of any particular type of aircraft, the terms and conditions of supply shall be mutually agreed upon.

(b) Hold Reserves of aviation fuels as required by the

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Government. As and when required by the Government, the Corporation shall provide facilities to the representatives of the Government to physically inspect and verify the availability of the reserves agreed upon.

(c) Take part in the exercises organised by the Government to demonstrate and prove the capacity of the Corporation to supply aviation fuels at various airfields under war time conditions, when so required by the Government.

(d) Train and familiarise a few of the employees of the Government at each specified airfield, in the operation and maintenance of Bulk Petroleum Installations so that the Government could take over and operate the installation in case the Corporation is unable to do so for any reason.

(e) Provide training in quality control and allied matters to the nominees of the Government on terms and conditions mutually agreed upon.

(f) Enter into Rate Contract with Directorate General of Supplies and Disposals or any other Organisation nominated by the Government for the supply of aviation fuels.

7. The Corporation shall construct Aviation Fuel Stations at airfields and at such other places as may be required by the Government from time to time during the currency of this agreement

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as 'DEPOSIT WORKS' for the GOVERNMENT ON PRIORITY BASIS and complete the construction within mutually agreed time table which shall be normally 12 months from the date of handing over site. However, this will not apply to the old commitments made by the oil companies in connection with business awarded to them at locations specified in the Annexure. The quantum of secured tankage at such airfields shall be such as to hold the minimum quantities of fuel required/specified by the Government for that airfield. The secured tankage shall be constructed according to the specification mutually agreed upon.

8. The Corporation shall be responsible for the repair, maintenance and general upkeep in sound working condition of Aviation Fuel stations and Bulk Petroleum Installations at their cost.

9. The Corporation shall also take over, maintain and operate at their cost the Bulk Petroleum Installation belonging to or constructed by the Government at other airfields, landing grounds or helipads, if so required by the Government. The Corporation shall either purchase the Government Installation at a mutually agreed price or pay annual rental as follows :

a) Offtake for Non-IAF Purposes not exceeding 50% of the total offtake.	5% of the cost of construction for the facilities provided.
b) Offtake for Non-IAF purposes exceeding 50% of the total offtake.	10% of the cost of the construction of the facilities provided.

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Any major replacement of existing equipment that might become unserviceable shall, if the BPI is taken on rent by the Corporation, be undertaken by the Corporation. The cost of such replacement shall, however, be borne by the Government.

10. The Corporation shall, if called upon to do so, undertake construction of aviation fuel secured tankage or other aviation fuel handling facilities at any location required by the Government for its own purpose under terms and conditions to be mutually agreed upon. Cost of construction will be borne by the Government.

11. The Government shall make available to the Corporation land for the construction of Aviation Fuel Stations/Bulk Petroleum Installations at airfields at Air Force Stations. The quantum of land shall be agreed mutually and the rent will be levied as follows :

(a) Offtake for Non IAF purposes less than 25% of the total offtake	Nominal rent of Re.1/- per annum
(b) Offtake for non IAF purposes ranging between 25% - 50% of the total offtake	5% of the market value of the land per annum
(c) Offtake for non-IAF purposes exceeding 50% of the total offtake	10% of the market value of the land per annum

This clause will be applicable to all such lands where secured tankages have already been constructed. For the above purposes land value and the offtake will be reviewed every 5 years. Lease agreement shall

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be signed in each case incorporating usual terms and conditions. //

12. The Corporation shall provide hydrant pressure filling facilities with metering equipment at Government cost wherever required and as mutually agreed between the corporation and the Government.

13. The Corporation shall allow the authorised representatives of the Government to inspect the Depots at any time and to make such suggestions for the improvement of the Depots as considered necessary by them. The Corporation will consider these suggestions and advise the Government of the action proposed to be taken on each suggestion. The Corporation shall be bound to carry out the directions of the Government that may be given to the Corporation in this behalf. The cost of such improvement will be borne by the Government.

14. The Corporation shall serve such customers as it deems fit from the stocks held by them at Air Force Stations/Bulk Petroleum Installations subject to prior concurrence by the Government and maintaining the minimum stock indicated by the Government.

15. TERMINATION OF AVIATION FUEL STATION

- a) In case the facilities are owned by the Corporation and the contract for the supply of aviation fuels from any particular Aviation Fuel Station is not awarded to the corporation for continuous period of one year, the corporation will have the option to retain the said depot, maintain and operate the same if it so desires, or remove the said

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depot at its own cost, provided the Government do not exercise the option to take over the said depot at any time before the expiry of the period of notice, hereinafter mentioned, by allowing full compensation at depreciated book value. The Corporation shall give at least six months' notice to the Government of their inability to supply fuels at any of the depots or of its intention to remove the said depots as herein provided.

- b) In case the facilities are owned by the Government then in case of termination of contract, Corporation can retain the facilities subject to consent of the Government at mutually agreed terms.

16. Stocks of Aviation Fuel Stations

Stocks of Aviation Fuel Stations and BPL owned or operated by the Corporation shall belong to the Corporation.

17. Refuelling at other locations :

The Company shall undertake the refuelling of VIP/VVIP and other Air Force aircraft at airfields as requested by Air Force under the Casual Visit Scheme as per the Rate Contract in force between DGS&D and the Corporation. The Corporation shall be entitled to recover, over and above the Posted Airfield Price (PAP) at the nearest airfield, the out of pocket expenses incurred as well as the delivery charges

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from the nearest AFS having bowsers refuelling facility. Such out of pocket expenses at actuals will be recovered even when no fuel is uplifted provided the arrangements are made at the behest of the Government.

18. Prices, Delivery Charges and Payments

The Corporation shall supply such aviation fuels as may be ordered by the Government under separate rate contracts to be entered into by them with DGS&D or any other organisation on behalf of the Government. The rates applicable for such supplies, inclusive of such quantum of discounts as the Corporation may offer, will not exceed the Ceiling Selling Price also known as the Posted Airfield Price (PAP) for each airfield from time to time. The Corporation shall charge the Government the Posted Airfields Price (PAP) or corresponding running rate contract price whichever is lower.

19. Sales Tax, local levies, Octroi etc will be paid by the Government at the rates applicable from time to time if so provided for in the appropriate DGS&D Rate Contract or Posted Airfield Price (PAP).

20. Delivery charges from the Corporation's storage to the places other than the nominated airfields, landing grounds or helipads will be negotiated by the Corporation with DGS&D etc. and fixed by the Government in the Ministry of Petroleum. These delivery charges are payable by the Government when availing of such facilities.

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21. Performance Guarantees :-

The Corporation shall maintain at all times the minimum stocks indicated by the Government at each airfield and in addition deliver by the specific date and time such quantities of aviation fuels and other products as may be ordered by the Government from time to time in accordance with the contracts of supply placed with the Corporation.

22. Should the stock level fall below the mutually agreed minimum, the Government shall be entitled at their option to recover an amount equal to the cost of fuel that was short of the minimum for each day or part of the day during which such shortage existed.

23. In addition to the above, should the Corporation fail to deliver the required quantities of aviation fuels within the stipulated period, the Government shall be entitled at their option either :-

(a) to recover from the Corporation as agreed liquidated damages and not by way of penalty a sum of 2% of the prices of the fuels for each month or part of month during which the supply may be in arrears, or

(b) to purchase elsewhere without notice to the Corporation on the account and at the risk of the Corporation, the quantity of fuels not delivered without cancelling the agreement in respect of the consignment not yet due for delivery, or

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(c) to cancel the agreement.

24. Neither the Government nor the Corporation shall be responsible for any failure to perform any term of this agreement, if the performance has been delayed, hindered or prevented by any circumstances not within the control of the Government or the Corporation, as the case may be.

25. Security

The Corporation, its servants and agents shall not divulge any military information of any nature whatsoever that may come to their knowledge, to any unauthorised person.

26. The Corporation shall observe the security requirements of the Government as advised by the Air Force authorities in the processing and dissemination of information.

27. The Corporation's employees and agents shall strictly adhere to the local security regulations when working at IAF airfields or alongside IAF personnel.

28. The employees and vehicles of the Corporation or any other vehicles/persons authorised by the Corporation shall have access to Aviation Fuel Stations/Bulk Petroleum Installations at all times. The Corporation shall provide to the local Station Commander particulars of such persons in advance and access to the Aviation Fuel Stations/Bulk Petroleum Installations shall be regulated under the local security

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arrangements made by the Station Commander.

29. Duration of Agreement:-

The agreement will be initially for a period of twenty years commencing from the date of this agreement, terminable by either party giving to the other a notice of six months of its intentions to terminate the agreement. The parties may extend the term of the agreement for such further period and subject to such terms and conditions as may be mutually agreed.

30. Break and Termination :

If either party commits any breach of any of the terms and conditions of this agreement, the other party may at its option terminate this agreement by giving three calendar months' notice to that effect to the party in default. Such termination shall be without prejudice to the rights of either party that may have accrued prior to such termination.

31. Notice and Registered Addresses :-

Any notice to be given to the Corporation under the terms and conditions of the Agreement shall be considered as duly served if posted by registered mail to the Corporation at its registered office at Bombay. Similarly, any notice to be given to the Government shall be considered duly served if delivered to, left for or posted by registered mail to the Secretary to the Government of India, Ministry of Defence,

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New Delhi.

32. Stamp Duty :- The stamp duty on this agreement shall be borne by the Government.

33. Disputes and Differences :-

All disputes and differences arising out of or in any way touching or concerning this agreement the settlement of which is not hereinbefore provided for, shall be referred to the sole arbitration of a person named/nominated by the Secretary to the Government of India in the Ministry of Defence or the Secretary of the Ministry administratively dealing with this agreement at the time of such dispute or difference. There shall be no objection to any such appointment solely on the ground that the nominee in Government service had to deal with the matters to which the disputes or differences relate in the course of his duties as Government servant and had expressed views in all such or any of the matters in dispute or difference. The award of such arbitrator shall be final and binding on both the parties. In the event of the arbitrator to whom the matter is originally referred being transferred or vacating his office or being unable to act for any reason such Secretary as aforesaid shall appoint another person to act as arbitrator in accordance with the terms of this agreement. Such other nominee shall be entitled to proceed with the reference from the stage at which the proceedings were left by his predecessor. The arbitration proceedings shall be at Delhi.

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34. Subject as aforesaid, the Arbitration Act of 1940 or any statutory modification or re-enactment thereof for the same being in force and any rules made thereunder shall apply to the arbitration proceedings under this Clause.

35. Accommodation for IAF Defence Liaison Officer

Defence Liaison Officer will be provided with suitable office accommodation with appropriate administrative facilities, including telephone at the discretion of the Air Force, if required at the Head Office Complex of the Corporation.

IN WITNESS WHEREOF Shri V.N. Bahadur, Joint Secretary, Ministry of Defence, New Delhi for and on behalf of the President of India has hereunto set his hand and the constituted attorney of the Corporation has hereunder set his hand this day and first above written.

V.N. Bahadur

(V.N. BAHADUR)
JOINT SECRETARY
MINISTRY OF DEFENCE
GOVERNMENT OF INDIA
NEW DELHI
FOR AND ON BEHALF OF THE PRESIDENT
OF THE REPUBLIC OF INDIA

B.K. Bakhshi

(B.K. BAKHSHI)
DIRECTOR MARKETING
FOR & ON BEHALF OF
INDIAN OIL CORPORATION LIMITED.

Witness

S. Mehta
4/11/47
V.N.

Witness

S. Mehta
DGM (Aviation)

ANNEXURE

List of Locations referred to in para 7 of the Long
Term Agreement entered between Ministry of Defence and Indian
Oil Corporation Limited dated 13-12-1988;

Ans.

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.....Nil.....