



Airports Economic Regulatory Authority of India

In the matter of Provision of Compensation in lieu of Fuel Throughput Charges at Chandigarh International Airport Limited (Civil Enclave).

27th August, 2020

भा.वि.आ.वि.प्रा.
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003



1. Introduction

The Airports Economic Regulatory Authority (AERA) is a statutory body constituted under the Airports Economic Regulatory Authority of India Act, 2008 vide Gazette Notification dated 5th December 2008. AERA was established by the Government, to create a level playing field and foster healthy competition among 'major' airports, to encourage investment in airport facilities, to regulate tariffs for aeronautical services etc.

2. Functions of AERA

The main functions of AERA are:

- to determine the tariff for the aeronautical services;
- to determine the amount of the development fees in respect of 'major' airports;
- to determine the amount of the Passengers Service Fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934 (22 of 1934);
- to monitor the set performance standards relating to quality, continuity, and, reliability, of service as may be specified by the Central Government or any authority authorized by it in this behalf.

3. Back Ground

In accordance with the provisions contained in Section 13 of Airports Economic Regulatory Authority of India Act (AERA Act), 2008, the Authority determined aeronautical tariffs of Chandigarh International Airport Limited (CHIAL), for the First Control Period i.e. 01.04.2016 to 31.03.2021 vide Order No. 17/2016-17 dated 27.03.2017.

3.1 As detailed in Table 38 under para 10.3 of the above said Order, the Authority determined Rs.401.35 Crores as the total discounted Aggregate Revenue Requirement (ARR) as per Regulatory Building Blocks for the entire 1st Control Period. Fuel Throughput Charge (FTC) was one of the components to achieve this revenue requirement along with other revenues from aeronautical services such as Landing, Parking & Housing, UDF, etc.

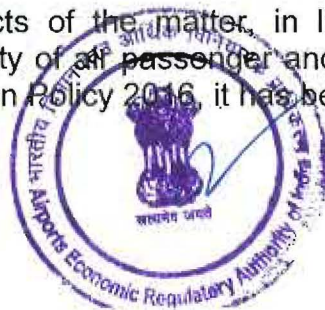
3.2 The Fuel Throughput charges considered as part of ARR by the Authority as per the above Tariff Order is given in table -1 below:

Table - 1

	FY 2020-21
Charges per KL (in Rs)	167/ KL
Revenue (Rs. in Crores)	0.81

4. Ministry of Civil Aviation vide letter no. AV.13030/216/2016-ER (Pt.2) dated 08.01.2020 decided to discontinue the levy of Airport Operator Charge or Fuel Throughput Charge in any manifestation at all airports. Para 4 of the said letter reads as under:

"Keeping in view all aspects of the matter, in light of the need to uphold affordability and sustainability of air passenger and air cargo transportation as per the National Civil Aviation Policy 2016, it has been decided as follows:



- (i) Levy of airport operator charge or fuel throughput charge in any manifestation shall be discontinued at all airports, airstrips and heliports across India with immediate effect.
- (ii) AERA/ Ministry of Civil Aviation, as the case may be, should take into account the amount in this revenue stream and duly compensate the Airport Operator/ AAI by suitably recalibrating other tariffs during their determinations of airport tariffs."

5. Considering the above policy decision of MoCA, the Authority vide letter no. AERA/20015/FT/2010-11/Vol.II dated 15.01.2020 advised the Airport Operators at all 'major' airports to implement the aforesaid MoCA letter with immediate effect. AERA, also advised the Airport Operators to submit their proposal for compensation, if any, due to discontinuation of Fuel Throughput Charges (FTC) for consideration of the Authority.

6. Accordingly, CHIAL vide letter no. CHIAL/AERA/2020-21 dated 23.07.2020 has informed that upon discontinuation of levy of FTC at Civil Enclave, Chandigarh, the expected revenue loss is Rs.0.96 Crores, for the period from 15.01.2020 to 31.03.2021, and, have proposed to recover the loss in the form of increased UDF charges.

The shortfall in revenue from 15.01.2020 to 31.03.2021 calculated by CHIAL is given in Table-2 below:

Table – 2 Shortfall in FTC Revenue as calculated by CHIAL (Rs. in Crores)

Period for which Loss of FTC Revenue claimed by CHIAL	15.01.2020 to 31.03.2020	FY 2020-21	Total FTC loss claimed by CHIAL
FTC Revenue Projections as per AERA Tariff Order	0.15	0.81	0.96

6.1 CHIAL has submitted that, Civil Enclave, Chandigarh, is in the fifth year (FY 2020-21) i.e. last year of the ongoing Control Period (FY 2016-21), and, true up exercise will take time of 03 to 04 months, in the meanwhile, AERA may consider allowing compensation in the form increase in UDF Charges as per table-3 below.

Table – 3 Increase in UDF / Passenger as Proposed by CHIAL

FTC Compensation claimed by CHIAL in FY 2020-21 (Rs. In Crores)	0.96 (A)
No. of Departing Passengers (period - 06 months of FY 2020-21 - projections as per Tariff Order)	739264 (B)
Increase in UDF per Pax proposed by CHIAL (A / B)	Rs. 13/- approx
Existing Rates of UDF as per AERA Tariff Order	Revision in UDF Rates proposed by CHIAL



DOM		INTL	DOM		INTL
(Up to 165 Nautical Miles)	(Above 165 Nautical Miles)		(Up to 165 Nautical Miles)	(Above 165 Nautical Miles)	
250	650	1500	263	663	1513

7. Authority's Examination

The Authority has carefully examined the proposal of CHIAL in reference to the letter no. AV.13030/216/ 2016-ER (Pt.2) dated 08.01.2020 issued by MoCA.

7.1 The Authority is of the view that, normally, the monetary benefit of abolishing the FTC is expected to entirely go to the Airlines and accordingly any compensation on account of abolishing FTC should be recovered from Airlines. However, the Authority notes that at all Civil Enclaves, including Chandigarh, Landing Charges accrue to the Defence Authorities, and, not to the Airport Operator. The compensation of FTC at the Civil Enclaves cannot be recovered / compensated through increase in Landing Charges. The Authority, therefore, is of the view that at Civil Enclave, Chandigarh, the shortfall in FTC revenue, hitherto accruing to CHIAL, has to be compensated by way of increase in UDF charges. As per Tariff Order No.17/2016-17, the Authority, had expected that during FY 2020-21 of the 1st Control Period, CHIAL would generate revenue from UDF Charges and FTC as detailed below:

Table – 4 Projected Revenue from UDF / FTC as per Tariff Order

	(Rs. in Crores)
	FY 2020-21
Revenue from UDF charges	85.25
Revenue from FTC	0.81

7.2 The Authority observed that the tariff for Civil Enclave Chandigarh has been determined up to 31.03.2021 i.e. the 1st Control Period (01.04.2016 to 31.03.2021) of which the 5th tariff year FY 2020-21 is in progress. Therefore, the expected shortfall in revenues from FTC may not be more than the FTC revenues projected for FY 2019-20 & FY 2020-21 as per the AERA Tariff Order No.17/2016-17.

The Authority observed that the shortfall is occurring in the fifth tariff year FY 2020-21 (incl. 2.5 months in FY 2019-20) of the Control Period and is also being compensated in FY 2020-21, which is already in progress, thus the total shortfall in revenue from FTC / ARR is expected to be Rs.0.96 crores for the period from 15.01.2020 to 31.03.2021.

7.3 The Authority assessed that the expected shortfall has to be recovered in the remaining 7 (seven) months (1st Sept 2020 to 31st March 2021) of FY 2020-21 of the 1st Control Period. The Authority, observed that CHIAL, in its proposal, had wrongly calculated the above period as 6 months instead of 7 months, and, had arrived at a slightly higher increase in UDF i.e. @ Rs.13/- per embarking passenger.



Accordingly, the Authority, in the Consultation Paper proposed to compensate the total shortfall in FTC of Rs.0.96 crores by increasing the existing UDF Charges at Civil Enclave, Chandigarh, by **Rs.11/-** per passenger for the period **01.09.2020 to 31.03.2021** which shall be trued up while determining tariffs of Civil Enclave, Chandigarh, for the 2nd Control Period. The calculations are shown below in Table 5.

Table – 5 Increase in UDF per Passenger as Proposed by Authority in CP

FTC Compensation as considered by Authority (as part of ARR) for period FY 2019-20 (2.5 months) & FY 2020-21 (without discount factor) (Rs. In Crores)		0.96 (A)				
No. of Departing Pax as per Tariff Order (50% of total traffic projections for FY 2020-21 for 7 months – from 1 st Sep'20 to 31 st Mar'21)		(1478527)* 7 / 12 = 862474 (B)				
Increase in UDF per Pax (A / B)		Rs. 11/- approx				
Existing Rates of UDF as per AERA Tariff Order		UDF Rates proposed by Authority w.e.f. 01.09.2020 to 31.03.2021				
DOM		INTL		DOM		INTL
(Up to 165 Nautical Miles)	(Above 165 Nautical Miles)		(Up to 165 Nautical Miles)	(Above 165 Nautical Miles)		
250	650	1500	261	661	1511	

8. The Authority, having examined the submissions made by CHIAL, issued the Consultation Paper No. 32/2020-21 dated 03.08.2020 proposing the following for Stakeholders' Consultation:

- The Authority proposes to increase UDF charges at Civil Enclave Chandigarh for the period from 01.09.2020 to 31.03.2021 or till determination of aeronautical charges for the 2nd Control Period, to recover the shortfall in FTC revenue of Rs.0.96 crores.
- To true up revenue based on actuals while determining tariff for 2nd Control Period.

9. Stakeholder's Comments

In response to the Consultation Paper, comments have been received from the following stakeholder:

Business Aircraft Operators Association (BAOA)

BAOA has agreed to the proposal of AERA to increase UDF at Civil Enclave Chandigarh to compensate the total shortfall in FTC for control period FY 2016-2021.



10. Public Notice

The comments received from BAOA was uploaded on AERA's website vide Public Notice No. 13/2020-21 dated 21.08.2020.

11. CHIAL's view on Stakeholders' Comments:

The Authority did not receive any counter comments from CHIAL on BAOA comments.


The Authority, having concluded the consultation process as detailed above, and based on the analysis of the proposal in the consultation paper, decides to increase the existing UDF Charges at Chandigarh International Airport Limited (Civil Enclave), by Rs.11/- per passenger, for the remaining 1st Control Period to recover the loss on account FTC/ARR revenues during the balance period of 1st Control Period.

ORDER

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:

- (i) The Authority has decided to allow increase in UDF charges at Civil Enclave Chandigarh for the remaining 2nd Control Period i.e. from 01.09.2020 to 31.03.2021, or, till determination of aeronautical charges for the 2nd Control Period, to recover the shortfall of Rs.0.96 crores in lieu of abolition of FTC. The Authority, has decided to enhance the existing UDF for Domestic and International Embarking Passengers w.e.f. 01.09.2020 as annexed at "**Annexure I**";
- (ii) To 'true up' the revenue based on Actuals while determining tariff of Civil Enclave, Chandigarh, for the 2nd Control Period;
- (iii) **The Revised UDF will be applicable on tickets issued on or after 01.09.2020;**
- (iv) The UDF rates indicated in the tariff card are also in accordance with section 13(1)(b) read with rule 89 of the Aircraft Rules, 1937. The rates approved herein are the ceiling rates, exclusive of taxes, if any.

By the Order and in the name of the Authority


(Col Manu Sooden)
Secretary

To,

Chandigarh International Airport Limited,
Room no. 01, Project office building, Civil Airport,
Chandigarh – 160003.

Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung
Airport New Delhi-110003.



Chandigarh International Airport Limited (CHIAL), Civil Enclave**Revised UDF Charges as Approved by the Authority to be applicable from 01.09.2020 to 31.03.2021****I) User Development Fee (UDF)**

	Existing Rates of UDF as per AERA Tariff Order No. 17/2016-17	Approved Revision in UDF charges
Domestic per embarking passenger		
(Up to 165 Nautical Miles)	₹ 250 (excl. taxes)	₹ 261 (excl. taxes)
(Above 165 Nautical Miles)	₹ 650 (excl. taxes)	₹ 661 (excl. taxes)
International per embarking passenger	₹ 1500 (excl. taxes)	₹ 1511 (excl. taxes)

*The above UDF Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

II) Fuel Throughput Charges for the period from 01.04.2020 to 31.03.2021

	Unit	As per AERA Order No. 17/2016-17 for FY.2020-21	Abolished by MoCA w.e.f. 15.01.2020
Fuel Throughput Charges	INR per:KL	167.00	'NIL'

Note : All other charges, and, terms & conditions, as determined vide AERA Order No.17/2016-17 dated 23.03.2017 shall remain applicable.

