

No. CHIAL/AERA/2020-21

Dated: 23.07.2020

To  
The Chairman,  
Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex,  
Safdarjung Airport,  
New Delhi-110 003

**Subject: Request for Increase in UDF due to discontinuation of FTC**

Sir,

It is to mention here that 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. Copy of MoCA letter is enclosed herewith as **Annexure -I** for your kind reference please.

Considering the above decision of MoCA, AERA vide letter no. AERA/ 20015/FT/201 0-11/Vol. II dated 15.01.2020 advised all the Airport Operators to implement the aforesaid MoCA letter with immediate effect and also advised to submit proposal with respect to compensation in lieu of discontinuation of Fuel Throughput Charges for consideration by the Authority.

In this regard, it is to be submitted that Chandigarh International Airport Limited (CHIAL) is in the fifth (FY 2020-21) i.e. the last year of the ongoing Control Period (FY 2016-21) and true up exercise will take time of 03 to 04 months. As per AERA Order No. AERA/20010/MYTP/CHIAL/CP-II/2016-17/Vol.1 Order No. 17/2016-17 in the matter of determination of Aeronautical Tariffs in respect of Chandigarh International Airport Limited for the First Control Period (01.04.2016 - 31.03.2021) dated 27.03.2017 effective from 01.05.2017, Fuel Throughput Charges applicable at CHIAL for F.Y. 2019-20 were Rs. 161 per KL and for F.Y. 2020-21 were Rs. 167 per KL.

Due to discontinuation of Fuel Throughput Charges (FTC), CHIAL is bearing loss of Rs. 96.42 Lakhs (At NPV - Rs. 58.37 Lakhs) for the remaining period of Second Control Period i.e. 15.01.2020 to 31.03.2021. The shortfall in revenue from 15.01.2020 to 31.03.2021 is calculated as under:

Period for which Loss of FTC Revenue claimed	15.01.2020 to 31.03.2020	FY 2020-21	Total FTC loss claimed
FTC Revenue Projections as per AERA Tariff Order Page No. 54 (Table 46) enclosed as <b>Annexure - II</b> (Rs. in lakhs)	15.42	81.00	<b>96.42</b>
PV Factor	0.6750	0.5921	
FTC Revenue Projections (at NPV)	10.41	47.96	<b>58.37</b>

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Registered Office: Room No. 1, Project Office Building, Civil Airport, Chandigarh- 160003

कॉर्पोरेट कार्यालय: नई सिविल एयर टर्मिनल, झुरेरी, मोहाली (पंजाब) 140306

Corporate Office: New Civil Air Terminal, Jhurheri, Mohali (Punjab) 140306

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CIN U63013CH2010GOI031999

It is to mention here that being a Civil Enclave, the main source of traffic revenue approved by AERA for CHIAL is User Development Fees (UDF). Therefore, it is being requested that AERA may consider allowing compensation to CHIAL in the form of increase in UDF charges as proposed below:

FTC Compensation claimed in FY 2020-21 (A)			96.42		
No. of Departing Pax as per Tariff order Page No. 48 (Table No. 42) enclosed as <b>Annexure - III*</b> (50% of total traffic projections for FY 2020-21 for 6 months i.e. 01.09.2020 to 31.03.2021) (B)			7,39,264		
Increase in UDF per Pax proposed (A/B)			Rs. 13/- approx		
<b>Existing Rates of UDF as per AERA Tariff Order</b>			<b>Revision in UDF Rates proposed</b>		
Domestic Passengers (Up to 165 Nautical Miles)	Domestic Passengers (Above 165 Nautical Miles)	International Passengers	Domestic Passengers (Up to 165 Nautical Miles)	Domestic Passengers (Above 165 Nautical Miles)	International Passengers
250	650	1500	263	663	1513

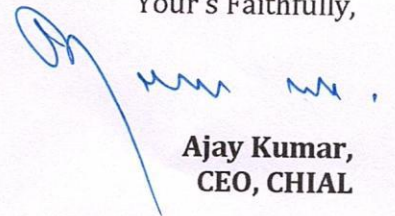
\* The Passenger Throughput has been considered as per the projections in AERA Order, however, realistic position of CHIAL is very challenging as the actual throughput Passengers is just 20% as compared to previous year i.e. FY 2019-20 due to Pandemic situation of Covid -19 in the country.

AERA is requested to allow carry forward of unrecoverable amount, if any in next control period considering Pandemic Situation in the country due to Covid - 19 which has resulted in drastic reduction in Passenger Throughput which is approximately 20% for the month of June of the average Passenger Throughput of the Previous year.

In view of the facts brought out above, AERA is requested to consider request of CHIAL for increase in UDF charges to compensate loss of revenue due to discontinuation of Fuel Throughput Charges.

Thanking you.

Your's Faithfully,



**Ajay Kumar,**  
CEO, CHIAL

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CIN U63013CH2010GOI031999

Port copy  
by chief

F.No. AV-13030/216/2016-ER (Pt.2)  
Government of India  
Ministry of Civil Aviation  
[ER Division]

B-Block, Rajiv Gandhi Bhavan  
Safdarjung Airport, New Delhi - 110 003

Dated, the 8<sup>th</sup> January 2020

To,

1. **Shri Balwinder Singh Bhullar**  
Chairperson  
Airports Economic Regulatory Authority of India  
AERA Building, Safdarjung Airport, New Delhi - 110 003.
2. **Smt. Rubina Ali**  
Joint Secretary (AAI and AD)  
Ministry of Civil Aviation  
Rajiv Gandhi Bhavan, Safdarjung Airport, New Delhi - 110 003.

Copy to:

1. **Shri Arvind Singh**  
Chairman  
Airports Authority of India  
Safdarjung Airport, New Delhi - 110 003.
2. **Dr. M.M. Kuttu**  
Secretary  
Ministry of Petroleum & Natural Gas  
Shastri Bhavan, New Delhi - 110 001.

**Subject: Rationalisation of Fuel Throughput (Airport Operator) Charge levied by Airport Operators on Aviation Turbine Fuel (ATF) across all Airports in India - reg.**

Dear Sir,

Fuel-related charges are charged variously either in three parts as (a) Airport Operator Charges, (b) Fuel Infrastructure Charges (FIC), and (c) Into Plane (ITP) Charges or as a composite of the three, generally called Fuel Throughput Charge (FTC), at the airports, airstrips and helipads across the country. At some airports, fuel supply is provided on open access basis.

2. Fuel throughput charges for supplying fuel to airline operators at an airport are covered under section 2(a)(vi) of the Airports Economic Regulatory Authority (AERA) Act, 2008, while section 13 sets out the basis on which surcharges are to be levied. At airports being operated by Airports Authority of India (AAI), the power of the authority to charge fees, rents, etc. in respect of aircraft or for any other service or facility offered in connection with aircraft operations at an airport, airstrip or

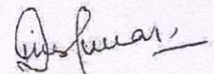
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heliport arises from the provisions of section 22(i) of the AAI Act, 1994. Airport charges are also variously specified in the existing concession agreements and contracts of airports leased out by AAI.

3. Numerous rounds of stakeholder consultations have been held by the Ministry in order to rationalize the present mechanism of invoicing of AIF fuel throughput charges. These duly incorporated the deliberations of the two industry Working Groups on the subject comprising of representatives of airline operators, airports, fuel infrastructure facility providers, into plane fuel service providers, and oil marketing companies without prejudice to the outcoming of judicial proceedings on the matter of classification of fuel throughput charges as aeronautical or non-aeronautical services initiated by some PPP/JV airport operators.

3. It was seen *inter alia* that the global best practices at airports avoid levying a double charge by way of land rental on fuel suppliers for the use of the land at the airport and a market access or concession fee for providing commercial opportunity when there is no underlying tangible service being rendered by the airport operator.

4. 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. This issues with the approval of the competent authority.



(Dinesh Kumar)  
Deputy Director (ER)  
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Particulars	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Cute Charges	59	148	158	169	182	195
PSF (Facilitation)	262	640	-	-	-	-
UDF	-	-	6190	6554	6947	7371
<b>Total</b>	<b>396</b>	<b>977</b>	<b>6557</b>	<b>6950</b>	<b>7375</b>	<b>7834</b>

**b. Authority's examination of CHIAL's submission on revenue from aeronautical services**

13.4 After careful examination of the various assumptions relating to aeronautical revenues, the Authority proposed the following:

13.4.1 Parking & Housing charges, Ground Handling Charges, Cute Charges and UDF shall be recalculated based on the revised traffic numbers as shown in Table 42 and Table 43.

13.4.2 Revenue from Extension of Watch Hours as per CHIAL's submission shall be included in revenue from Aeronautical services.

13.4.3 Lease rental from refueling station as discussed in para 8.6.1 shall be included in revenue from Aeronautical services.

13.5 Total revised revenue from Aeronautical services after considering the above changes is provided in the table below:

**Table 46: Revised aeronautical revenues as per the Authority (in ₹ lakhs)**

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Parking & Housing	4	5	5	5	6
Throughput Charges	56	61	67	74	81
Cargo Charges	55	63	71	79	89
Ground Handling Charges	74	84	89	94	100
Cute Charges	138	163	182	202	225
Extension of Watch Hours	42	45	47	50	53
Lease rental from refueling station	338	364	400	440	484
PSF (Facilitation) (excluding collection charges)	696	-	-	-	-
UDF	-	6,357	7,005	7,725	8,525
<b>Total</b>	<b>1,403</b>	<b>7,142</b>	<b>7,866</b>	<b>8,669</b>	<b>9,562</b>

13.6 Regarding passenger traffic forecast, based on the material before it and its analysis, the Authority proposed to:

13.6.1 Consider the Aeronautical Revenue as given in Table 46 for determination of aeronautical tariffs for the first control period.

13.6.2 True up the Aeronautical Revenue based on actual revenue during the Control Period.

**c. Stakeholder comments on issues pertaining to revenue from aeronautical services**

13.7 Stakeholder comments with respect to revenue from aeronautical services are presented below.



Financial Year	Domestic	Y-o-Y growth (Domestic)	International	Y-o-Y growth (International)
FY15	10,968	13%	-	-
FY16	13,130	20%	-	-
FY17	14,180	8%	594	-
FY18	15,315	8%	1,460	146%
FY19	16,234	6%	1,460	-
FY20	17,208	6%	1,460	-
FY21	18,240	6%	1,460	-

**b. Authority's examination of CHIAL's submission on traffic forecast**

11.3 The Authority carefully examined CHIAL's submissions regarding traffic forecast and presented its findings as detailed below.

11.4 The Authority calculated 5-year and 10-year CAGR (Compounded Annual Growth Rate) for Domestic ATM and Domestic Passenger movements (based on Table 39 & Table 40 above), from FY12 to FY16 and from FY07 to FY16 respectively as below:

**Table 41: Historical 5-year and 10-year CAGR for Domestic Passenger and ATM traffic**

Particulars	Domestic	
	FY12 to FY16	FY07 to FY16
Domestic passenger traffic	17.6%	29.0%
Domestic ATM traffic	11.3%	18.6%

11.5 The Authority has noted that the increase in annual passenger and ATM traffic at other major international airports in Delhi and Mumbai has reached saturation levels. This might lead to a healthy diversion of traffic to CHIAL. However, the traffic increase may not be as high as the 5-year and 10-year historical CAGR figures in the table above, due to restrictions on flying (as CHIAL is built on a civil enclave) and rising fuel costs. Accordingly, after considering the above, the Authority proposed the following revised increase for Passenger and ATM traffic:

11.5.1 The annual increase in Domestic passenger traffic shall be considered at 12% p.a. throughout the first control period and for International passenger traffic at 5% p.a. from FY 18-19 to FY 20-21.

11.5.2 The annual increase in Domestic ATM traffic shall be considered as per the submissions by CHIAL and annual increase for International ATM traffic shall be considered at 2% p.a. from FY 18-19 to FY 20-21.

**Table 42: Revised Passenger traffic projections using revised growth rates during control period**

Financial Year	Domestic	Y-o-Y growth (Domestic)	International	Y-o-Y growth (International)
FY16	15,34,058	-	-	-
FY17	1,718,145	12%	89,100	-
FY18	1,924,322	12%	2,19,000	146%
FY19	2,155,241	12%	2,29,950	5%
FY20	2,413,870	12%	2,41,448	5%
FY21	2,703,534	12%	2,53,520	5%

