

674/Chairperson
 31/01/2020

To

The Chairperson
Airports Economic Regulatory Authority of India
AERA Building
Safdarjang Airport
New Delhi-110003

 भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
 सफ़दरजंग एअरपोर्ट, नई दिल्ली-110003

प्रिप्ट

 डायरी नं० 15183
 तारीख 31/01/20

 Dir (Pres)
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Dear Sir,

Subject : Proposal for compensation of fuel through put charges (FTC) withdrawn at Kochi Airport - thereof

Kind reference is invited to the Authority's letter no. AERA/20015/ft/2010-11/VOL.II dated 15.01.2020 advising all airport operators to implement the Ministry of Civil Aviation decision bearing F. No. AV-13030/216/2016-ER (Pt.2) dated 08.01.2020. As directed by the Authority, we have discontinued levying of FTC at this airport w.e.f 15.01.2020.

It was further stated that the compensation in lieu of implementation of the the said orders may be submitted for consideration of the Authority. In this regard, the proposal for compensating the FTC w.e.f 15.01.2020 is submitted hereunder for the consideration and approval of the Authority .

Proposal for compensation.

The proposal for compensation has been made out in four parts.

1. Computation of actual loss of FTC for the period beginning from 15.01.2020 to 31.03.2020 and for the full financial year beginning from 01.04.2020 to 31.03.2021-(Detailed computations given in Annexure -I)

The applicability of tariff order no 07/2017-18 dated 13th July 2017 in respect of Cochin International Airport Ltd is for the period beginning 01-04-2016 to 31-03.2021. Hence the compensation is sought only for the period upto the end of this tariff period. Upon completion of the entire tariff period and while doing the overall truing up, the compensation amount may be permitted to relooked into. The loss on account of abolishment of FTC from OMC's have resulted in the loss of revenue to CIAL to the following extend during the period beginning from 15.01.2020 to 31.03.2020 and from 01.04.2020 to 31.03.2021.

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Loss on abolishment of Royalty on ATF upto 31.03.2021			
ATF Royalty/FTC	Method I	Method II	Method III
	Based on Company's approved Budget	Based on Traffic	Average of Method 1 & 2 Loss
1. From 15th January 2020 to 31st March 2020			
International	348.24	536.02	442.13
Domestic	201.33	309.89	255.61
2. For FY 2020-21			
International	2394.86	2648.13	2521.5
Domestic	1384.55	1530.97	1457.76
	4328.98	5025.01	4677

We earnestly request the authority to compensate for Rs 46.77 crores for the period beginning from 15.01.2020 to 31.03.2021. (detailed are given in Annexure -I).

2. The impact assessment: We have also assessed the impact of airlines operating out of Kochi airport on account of abolishment of FTC . While we ascertained the loss on account of abolishment of FTC in the Cochin Airport to the tune of Rs 46.77 crores as detailed in Annexure -1 above, the airlines operating from this airport is expected to gain more than the above loss figure on account of various taxes ,as detailed below.

(Based on the quantity of ATF uplifted by international and domestic carriers from Kochi Airport)

		During 15.01.20-31.03.20 (FY 2019-20)		FY 2020-21		Total
		International	Domestic	International	Domestic	
Basic Gain on withdrawal of FTC		530.97	314.94	2550.49	1628.61	5025.01
Add: GST	18%	95.57	56.69	459.09	293.15	904.50
		626.54	371.63	3009.58	1921.76	5929.51
Add: Excise Duty	11%		40.88		211.39	252.27
		626.54	412.51	3009.58	2133.15	6181.78
Add: VAT	5%		20.63		106.66	127.28
Total Cost		626.54	433.13	3009.58	2239.81	6309.07
Total Gain			1059.67		5249.39	6309.07

The detailed computation is placed in Annexure- II.

3. The proposal for increasing other aero tariffs to compensate the revenue loss made out under (1) above is given in Annexure –III.

CIAL propose to increase the landing charges of domestic & international airlines to the extent of 28% and 38% respectively for the period beginning from 15.01.2020 to 31.03.2020 and a further increase of 6% in domestic w.e.f.01.04.2020 to 31.03.2021 and 9% in international sector w.e.f 01.4.2020 to 31.03.2021.

The proposed amendment required in the tariff card for above purpose is given below for consideration & approval.

CIAL 2019-20				
Landing Charges	Existing		Proposed(wef 15.01.2020 to 31.03.2020)	
	International	Domestic	International	Domestic
Upto 100 MT Rs.per MT	387	281	497.00	387
Amount in excess of 100 MT(Rs/ MT)	Rs.38700+Rs.520/MT in excess of 100 MT	Rs.28100+Rs.376/MT in excess of 100 MT	Rs.49687+Rs.668/MT in excess of 100 MT	Rs.38717+Rs.518/MT in excess of 100 MT

CIAL 2020-21				
Landing Charges	Existing		Proposed (Full year)	
	International	Domestic	International	Domestic
Upto 100 MT Rs.per MT	406	295	540	411
Amount in excess of 100 MT(Rs/ MT)	Rs.40600+ Rs.546/MT in excess of 100 MT	Rs.29500+ Rs.395 /MT in excess of 100 MT	Rs.54048+ Rs.727/MT in excess of 100 MT	Rs.41135+ Rs.551/MT in excess of 100 MT

4. The impact of revised tariffs on airport, airlines and passengers. Annexure –IV.

The resulting gain to the airlines on account of withdrawal of FTC at CIAL has been indicated in the annexure II. The airlines will gain a total amount of Rs 6309 lacs from 15.01.2020 to 31.03.2021, i.e. from the date of abolishment till the end of the existing control period(till

31.03.2021). The increase in tariff as proposed in (3) above will impact the airlines for an amount of Rs.4677 lacs. The GST payable on this amount can be taken as an input tax credit of airlines. Hence, the proposal if approved will result in net gain of Rs.1632 lacs for the Airlines as compared to the previous regime with FTC billed by OMCs, as against the proposed increase in the landing charges without FTC.

5. We would kindly request the Authority to approve the increase in aeronautical tariffs proposed in the Annexure –III to be made effective from the period beginning from 15.01.2020 to 31.03.2021, as an immediate compensation towards abolishment of authority approved fuel throughput charges.

An immediate direction of the Authority in this regard will be highly appreciable.

Yours Faithfully,



V J Kurian
Managing Director

Annexure I: Computation of actual loss of ATF Royalty to CIAL for the period from 15.01.2020 to 31.03.2021

The expected loss of ATF royalty for the period 15.01.2020 to 31.03.2021 is computed based on two methods. Under the first method, historical aeronautical revenue figures for the period beginning from 2016-17 i.e. from the first year of present control period has been taken. The aeronautical revenue for the financial years 2016-17,2017-18,2018-19 have been taken based on the certified financial statements. The financial results for the period beginning from 01.04.2019 to 31.12.2019 is the unaudited financial results of the company. The aeronautical revenue projections for the period beginning from 01.01.2020 to 14.01.2020 has been arrived on a proportionate basis of current year actuals. The ATF royalty has been abolished wef. 15.01.2020, hence, the aeronautical revenue projections for the period beginning from 15.01.2020 to 31.03.2020 has been arrived based on estimation of our ATMs and passenger traffic for the mentioned period. Similarly the estimated aeronautical revenue for FY20-21 i.e last control period is arrived based on the budget traffic as detailed below.

A. TRAFFIC

The monthly ATMs reported at Cochin airport during the financial year during 2019-20 along with the corresponding figures for FY18-19 is given below:-

Monthly ATMs of FY 2019-20 as against 2018-19

Domestic

Table

ATM	Domestic		
	2019-20	2018-19	Growth Rate
April	3569	3151	13.27%
May	3771	3342	12.84%
June	3685	3251	13.35%
July	3314	3442	-3.72%
August	3235	1805	79.22%
September	3621	3476	4.17%
October	3507	3545	-1.07%
November	3029	3604	-15.95%
December	2936	4155	-29.34%
January (forecasted)	3175	4149	-23.48%
February (forecasted)	2973	3492	-14.86%
March (forecasted)	3173	3692	-14.06%
	39988	41104	-2.72%

Monthly ATMs of FY 2019-20 as against 2018-19

International

ATM	International		
	2019-20	2018-19	Growth Rate
April	2534	2678	-5.38%
May	2648	2790	-5.09%
June	2531	2698	-6.19%
July	2590	2858	-9.38%
August	2356	1563	50.74%
September	2518	2695	-6.57%

October	2514	2592	-3.01%
November	2454	2618	-6.26%
December	2656	2711	-2.03%
January (forecasted)	2679	2680	-0.04%
February (forecasted)	2499	2337	6.93%
March (forecasted)	2659	2542	4.60%
	30638	30762	-0.40%

Monthly ATMs of FY 2019-20 as against 2018-19

Total

ATM	Total		
	2019-20	2018-19	Growth Rate
April	6103	5829	4.70%
May	6419	6132	4.68%
June	6216	5949	4.49%
July	5904	6300	-6.29%
August	5591	3368	66.00%
September	6139	6171	-0.52%
October	6021	6137	-1.89%
November	5483	6222	-11.88%
December	5592	6866	-18.56%
January (forecasted)	5854	6829	-14.28%
February (forecasted)	5472	5829	-6.12%
March (forecasted)	5832	6234	-6.45%
	70626	71866	-1.73%

B. Based on the monthly ATM for the period beginning from April 2019 to 31st March 20 as given above, the annual ATM figures for FY2019-20 & FY2020-21 is arrived as follows:-

Historical & Projected traffic for the control period

Year	IT Pax	DT Pax	Total Pax	IT ATM	DT ATM
2015-16 (actual)	46,38,346	31,25,558	77,63,904	29860	27857
2016-17 (actual)	50,01,807	39,45,076	89,46,883	31653	31164
2017-18(actual)	52,33,394	48,91,581	1,01,24,975	32909	36752
2018-19(actual)	49,30,494	52,72,586	1,02,03,080	30762	41104
2019-20(actuals upto Dec.19 plus expected traffic for Q4)	49,39,963	5284760	10224723	30638	39988
2020-21(forecasted)	5010615	5436879	10447494	30847	41247

The forecasted traffic for FY 2020-21 is arrived based on the the 5 year CAGR for International traffic & 3 year CAGR for the Domestic traffic, the details of which is given below:-

The growth rates adopted in arriving forecasted traffic for FY20-21

	IT Pax	DT Pax	IT ATM	DT ATM
Growth rate estimated for FY 2020-21	1.43%	2.88%	0.68%	3.15%
	<i>5 year</i>	<i>3 year</i>	<i>5 year</i>	<i>3 year</i>

Compounded Annual Growth rate	1	3	5	10
Passenger traffic				
Domestic Pax	-3.00%	2.88%	11.25%	10.37%
International Pax	-2.87%	-1.64%	1.43%	7.75%
Total Pax	-2.93%	0.59%	5.83%	9.02%
ATM				
Domestic	-5.99%	3.15%	7.68%	5.96%
International	-4.25%	-2.09%	0.68%	-5.01%
Total	-5.24%	0.74%	4.30%	5.66%

- C. Based on the traffic estimated as above, we have arrived at the aeronautical revenue for the period beginning from 15.01.20 to 31.03.2021. The historical traffic figures for the completed financial years of this control period and forecasted figures for the remaining period is given below:-

	2016-17	2017-18	2018-19	2019-20 (Till 31st Dec19)	upto 14th Jan 2020	15th Jan- 31st march 2020	2019-20	2020-21
Landing Fee	6280	9247	10838	8020	416	2079	10514	11242
Parking & Housing Fee	81	111	153	178	8	42	228	233
Aerobridge Charges	625	705	844	841	45	223	1109	1132
Passenger Service Fee	3598	3943	3930	2929	159	794	3881	3966
Income from CUTE	3323	4162	4140	3130	156	782	4068	4157
X-Ray Inspection Charges	112	136	148	0	0	0	0	0
Inline X Ray Screening Charges	2397	2367	2521	3095	160	801	4056	4140
Royalty-ATF/Fuel	635	2200	2978	2710	289	550	3549	3779
Royalty(Notional Income on account of IND AS adjustments)	60	96	103	0	0	0	0	0
Royalty-Ground Handling	5570	7545	8519	6569	294	1468	8330	8115

Income from Cargo Operations	2255	2982	3566	2825	165	825	3815	3840
	24936	33494	37741	30297	1692	7563	39551	40604

It is evident from the above table that under method I, there will be a loss of ATF royalty amounting to Rs.549.57 lacs and Rs.3779.41 lacs for the period from 15.01.20 to 31.03.20 and for FY 2020-21 respectively.

METHOD II : Loss of royalty based on the quantity of ATF consumed by airlines at CIAL

a. The historical data of Aviation Turbine Fuel lifted by international & domestic airlines from CIAL and the estimated data for FY 20-21 is as follows:-

Quantity on ATF Consumed	Rate/KL	Domestic	International	Total Qty
2016-17		79453.81	224575.79	304029.60
2017-18 (AERA rate wef 01.08.2017)	936.53	88290.65	227974.94	316265.59
2018-19	976.58	90623.87	214353.14	304977.00
2019-20 (till 14.01.2020)-Actuals	1018.62	112476.76	167773.21	280249.97
2019-20 (from 15.01 to 31.03.20)-estimated	1018.62	30918.24	52126.08	83044.32
2020-21-estimated	1062.75	153244.88	239990.03	393234.90
Grand Total		370845.09	834677.07	1205522.16

b. Based on the historical data given above, the Kilo litres of ATF fuel lifted at CIAL by international & domestic carries has been arrived:-

Quantity on ATF Consumed	Domestic	International	KL/ATM-Dom	KL/ATM-Int	Domestic	International	Total value
					(Rs.in lacs)		
2016-17	29671	31368	2.68	7.16	166.07	469.41	635.48
2017-18 (AERA rate wef 01.08.2017)	35185	32564	2.51	7.00	614.16	1586.25	2200.41
2018-19	39748	30474	2.28	7.03	885.01	2093.33	2978.34
2019-20 (till 14.01.2020)-Actuals	29063	21349	3.87	7.86	1145.71	1708.97	2854.68
2019-20 (from 15.01 to 31.03.20)-estimated	7989	6633	3.87	7.86	314.94	530.97	845.91
2020-21-estimated	39597.12	30538.53	3.87	7.86	1628.61	2550.49	4179.10
					2810.96	5857.96	8668.92

It is evident from the above table that under method II, there will be a loss of ATF royalty amounting to Rs.845.91 lacs and Rs.4179.10 lacs for the period from 15.01.20 to 31.03.20 and for FY 2020-21 respectively.

Annexure II: Gain of airlines due to withdrawal of ATF royalty at CIAL

The airlines operating from Cochin Airport has lifted the following quantities of ATF fuel using the fueling facility in CIAL:-

	Domestic	International	Total Qty
2016-17	79,453.81	224,575.79	304,029.60
2017-18	88,290.65	227,974.94	316,265.59
2018-19	90,623.87	214,353.14	304,977.00
2019-20 (till 14.01.2020)	112,476.76	167,773.21	280,249.97
Grand Total	370,845.09	834,677.07	1,205,522.16

The ATF royalty applicable for FY 2019-20 is Rs.1018.62/KL and for FY 2020-21 is Rs.1062.75/KL. CIAL invoices the the ATF royalty to BPCL(OMC) along with GST of 18%. Since, ATF fuel does not fall within the ambit of GST and BPCL cannot claim credit of GST , they charge the airlines the ATF royalty including the GST portion as cost without passing on the credit creating a cascading effect in the taxes levied. The abolition of FTC will result in a saving of ATF royalty along with GST to the both airlines. Further domestic airlines will save additional amount on excised duty and VAT as ATF royalty forms a component of cost for calculation of excise duty and VAT.

The expected gain to international and domestic airlines through abolition of ATF royalty at Cochin Airport for period 15.01.2020 to 31.03.2021 is computed as follows:-

		During 15.01.20-31.03.20 (FY 2019-20)		FY 2020-21		Total
		International	Domestic	International	Domestic	
Basic Gain on withdrawal of FTC		530.97	314.94	2550.49	1628.61	5025.01
Add: GST	18%	95.57	56.69	459.09	293.15	904.50
		626.54	371.63	3009.58	1921.76	5929.51
Add:Excise Duty	11%		40.88		211.39	252.27
		626.54	412.51	3009.58	2133.15	6181.78
Add: VAT	5%		20.63		106.66	127.28
Total Cost		626.54	433.13	3009.58	2239.81	6309.07
Total Gain			1059.67		5249.39	6309.07

Annexure III: Proposal for increasing AERO Tariffs to compensate the revenue lost due to abolishment of FTC

The existing tariffs for landing charges at CIAL is as follows:-

Landing Charges	CIAL 2019-20		CIAL 2020-21	
	International	Domestic	International	Domestic
Upto 100 MT Rs.per MT	387	281	406	295
More than 100 MT				
Fixed	38700	28100	40600	29500
Amount in excess of 100 MT(Rs./ MT)	520	376	546	395

At this airport, predominantly the following type of aircrafts are billed for landing charges:-

Aircraft Type	A320/B738	B737	A332/B738	A321	B777	ATR+small flights
MTOW	79	77	247	93	352	
% of composition in International	47.98%	18.22%	13.97%	9.31%	4.42%	
% of composition in Domestic	76.89%			1.88%		21.22%

The expected aircraft wise movement for the period from 15.01.2020 to 31.03.2020 and for period 01.04.2020 to 31.03.2021 is given below along with the converted existing rates of landing charges.

Expected ATMs for compensating period	Aircraft Type	% of composition	01.04.19 to 14.01.20	15.01.20-31.03.20	Expected for 2020-21
			ATM	ATM	
Landing Charges International	A320/B738	47.98%	11524	3177	14802
	B737	18.22%	4375	1206	5619
	A332/B738	13.97%	3356	925	4311
	A321	9.31%	2236	617	2872
	B777	4.42%	1061	292	1362
	ATR (no charges)	6.10%	1464	404	1881
	Total		24016	6622	30847
Landing Charges Domestic	A320/B738	76.89%	24653	6094	31715
	ATR, small flights, dorniers, military	23.11%	7409	30747	9532
	Total		32062	36842	41247

	Aircraft Type	Existing Landing Charge per aircraft based on type (Rs. per aircraft)		Expected revenue on landing charges at existing rate based on aircraft mix (Rs. in lacs)		
		2019-20	2020-21	01.04.19 to 14.01.20	15.01.20-31.03.20	Expected for 2020-21
Landing Charges International	A320/B738	30573	32074	1762	486	2374
	B737	29799	31262	652	180	878
	A332/B738	115140	120862	1932	533	2605
	A321	35991	37758	402	111	542
	B777	169740	178192	900	248	1214
	ATR (no charges)	0	0	0	0	0
	Total			5648	1557	7613
Landing Charges Domestic	A320/B738	22199	23305	2736	676	3696
	ATR,small flights,dorniers, military	0	0	0	0	0
	Total			2736	676	3696
Total				8385	2234	11309

In order to compensate the loss of ATF royalty, the above indicated tariffs/ revenues needs to be increased. The increase required for compensating the loss of FTC from International airlines & domestic airlines is arrived as under:-

Loss of ATF to be recovered from landing	%	Rs. in lacs	Rs. in lacs
International	63%	442.16	2521.66
Domestic	37%	255.58	1457.60
		697.74	3979.26

If the above loss is to be recovered out of landing charges, the overall landing revenue for the period from 15.01.2020 to 31.03.2020 and 01.04.2020 to 31.03.2021 needs to be increased as follows:-

	01.04.19 to 14.01.20	15.01.20-31.03.20	Expected for 2020-21	% increase on landing	
				15.01.20-31.03.20	Expected for 2020-21
	(Rs. in lacs)				
International					
Landing Charges	5,648.19	1,557.39	7,613.21		
Loss of ATF to be recovered		442.16	2,521.66	28%	33%
	5,648.19	1,999.55	10,134.87		
Domestic					

Landing Charges	2,736.33	676.45	3,695.61		
Loss of ATF to be recovered		255.58	1,457.60	38%	39%
	2,736.33	932.03	5,153.22		
TOTAL	8,384.53	2,931.57	15,288.09		

It is evident from above that we need to increase the international landing charges by 28% from the expected levels for the period 15.01.2020 to 31.03.2020 and 33% from the expected landing charges for FY 2020-21.

Similarly, the domestic landing charges needs to be increased by 38% from the expected levels for the period 15.01.2020 to 31.03.2020 and 39% from the expected landing charges for FY 2020-21.

Essentially the existing landing tariffs needs to be increased as follows:-

Landing Charges	CIAL 2019-20 (wef 15.1.2020)				CIAL 2020-21			
	Existing		Proposed		Existing		Proposed	
	Intl'	Dom	Intl'	Dom	Intl'	Dom	Intl'	Dom
Upto 100 MT Rs.per MT	387	281	497	387	406	295	540	411
More than 100 MT								
Fixed	38700	28100	49687	38717	40600	29500	54048	41135
Amount in excess of 100 MT(Rs/ MT)	520	376	668	518	546	395	727	551

The above proposed hike in tariff cards will result in increase in landing charges of various types of aircrafts operated out of Cochin Airport as under:-

Landing Charges: International	Aircraft Type	MTO W	2019-20		2020-21	
			CIAL Existing	CIAL Proposed	CIAL Existing	CIAL Proposed
	A320/B738	79	30573	39263	32074	42660
	B737	77	29799	38269	31262	41580
	A332/B738	247	115140	147883	120862	160917
	A321	93	35991	46221	37758	50220
	B777	352	169740	218023	178192	237252

Landing Charges: Domestic	Aircraft Type	MTO W	2019-20		2020-21	
			CIAL Existing	CIAL Proposed	CIAL Existing	CIAL Proposed
	A320/B738	79	22199	30573	23305	32469
	B737	77	21637	29799	22715	31647

	A332/B738	247	83372	114863	87565	122132
	A321	93	26133	35991	27435	38223
	B777	352	122852	169253	129040	179987

Resultantly, the overall aero revenue of the airport will increase as follows which will just negate the loss of abolishment of FTC.

	Aircraft Type	% of composition	Proposed landing Rate per aircraft (Rs. per aircraft)		Projected landing revenue (Rs. in lacs)	
			2019-20	2020-21	2019-20	2020-21
Landing Charges International	A320/B738	47.98%	39263	42660	624	3157
	B737	18.22%	38269	41580	231	1168
	A332/B738	13.97%	147883	160917	684	3468
	A321	9.31%	46221	50220	142	721
	B777	4.42%	218023	237252	319	1616
	ATR (no charges)	6.10%	0	0	0	0
					2000	10131
Landing Charges Domestic	A320/B738	76.89%	30573	32469	932	5149
	ATR, small flights, dorniers, military	23.11%	0	0	0	0
					932	5149
Total					2932	15280
Expected total revenue as per existing levels					2234	11309
Revenue Compensated through increase in landing charges					698	3979
Grand total of compensation						4677

ANNEXURE IV: IMPACT OF REVISED TARIFFS ON AIRPORT, AIRLINES AND PASSENGERS

The proposed increase in tariff hike as indicated in annexure III will not result in any additional burden to passengers. The airlines will gain substantially to the extent of GST billed under the erstwhile FTC amount billed by OMCs and further, the domestic airlines will be freed from the cascading effect of FTC plus GST on excise duty and VAT. Apart from that the airlines are entitled to avail input tax credit on GST charged on landing charges, thus resulting in reduction in their cost as detailed below:-

	During 15.01.20- 31.03.20 (FY 2019-20)		FY 2020-21		Total	
		Intl'	Dom	Intl'		Dom
Basic Gain on withdrawal of FTC		530.97	314.94	2550.49	1628.61	5025.01
Add: GST	18%	95.57	56.69	459.09	293.15	904.50
		626.54	371.63	3009.58	1921.76	5929.51
Add: Excise Duty	11%		40.88		211.39	252.27
		626.54	412.51	3009.58	2133.15	6181.78
Add: VAT	5%		20.63		106.66	127.28
Total Cost		626.54	433.13	3009.58	2239.81	6309.07
Total Gain			1059.67		5249.39	6309.07
Increase in tariff proposed in Annexure III			697.74		3979.26	4677.00
Net gain to airlines			361.94		1270.13	1632.07