

F. No. AERA/20010/MYTP/AAI-Ahmd/CP-II/2015-16/Vol-I
Airports Economic Regulatory Authority of India

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003.**

Date: 18th June, 2020

Public Notice No. 07/2020-21

Sub: Comments/Submissions received from stakeholders on the Consultation Paper Nos. 07/2020-21, 08/2020-21, 09/2020-21, 10/2020-21, 11/2020-21, 12/2020-21, 13/2020-21 & 14/2020-21 dated 03.06.2020 regarding the Provision of Compensation in lieu of Fuel Throughput Charges at AAI Ahmedabad, Calicut, Chennai, Guwahati, Jaipur, Kolkata, Lucknow & Trivandrum Airport respectively.

Attention of all concerned is invited to Consultation Paper Nos. 07/2020-21, 08/2020-21, 09/2020-21, 10/2020-21, 11/2020-21, 12/2020-21, 13/2020-21 & 14/2020-21 dated 03.06.2020 regarding the Provision of Compensation in lieu of Fuel Throughput Charges at AAI Ahmedabad, Calicut, Chennai, Guwahati, Jaipur, Kolkata, Lucknow & Trivandrum Airport respectively, vide which the Authority had sought comments from the stakeholders.

2. In response thereof, the Authority has received comments/submissions from the following stakeholders.

Sl. No.	Stakeholders
1.	<u>Federation of Indian Airlines (FIA)</u>
2.	<u>Business Aircraft Operators Association (BAOA)</u>
3.	<u>Airports Authority of India (AAI)</u>

The comments/ submissions received, as above, are attached for information of all concerned.


(Ram Krishan)
Director (P&S)



Federation of Indian Airlines
E-166, Upper Ground Floor,
Kalkaji,
New Delhi - 110019.
Website: www.fiaindia.in

17 June 2020

To,
The Hon'ble Chairperson,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi – 110003.
(Kind Attention: Shri. B.S. Bhullar, IAS)

&

To,
The Hon'ble Secretary,
Ministry of Civil Aviation,
Rajiv Gandhi Bhawan, Safdarjung Airport,
Aurobindo Marg,
New Delhi – 110003
(Kind Attention: Shri. Pradeep Singh Kharola, IAS)

Sub: Provision of compensation in lieu of discontinuation of 'Fuel Throughput Charges' at Ahmedabad, Calicut, Chennai, Guwahati, Jaipur, Kolkata, Lucknow and Thiruvananthapuram Airports (Consultation Papers No. 7, 8, 9, 10, 11, 12, 13 and 14 of 2020-21 dated 3rd June, 2020)

Dear Sir,

We, the Federation of Indian Airlines (**FIA**), write in response to the captioned subject consultation papers issued by the Airports Economic Regulatory Authority of India (**AERA**) in the matter of provision of compensation in lieu of Fuel Throughput Charges (**FTC**), at certain major airports owned and operated by Airports Authority of India (**AAI**), as mentioned at **Annex – A (AAI Airports)**, for which stakeholder's comments are invited by AERA.

In terms of the Consultation Papers, pursuant to the discontinuation of FTC by the Ministry of Civil Aviation (**MoCA**) *vide* letter dated 8th January, 2020 (**MoCA Letter**):

1. AERA *vide* letter dated 15th January, 2020 (**AERA Letter**) advised all 'major airports' to implement the aforesaid MoCA letter with immediate effect and also advised airport operators to submit their proposal for compensation, if any, due to the discontinuation of FTC;



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2. In response to AERA Letter, AAI vide letter dated 23rd March, 2020 has informed of their decision to discontinue FTC w.e.f 15 January, 2020, the expected revenue loss due to discontinuation of FTC (discounted projections on Present Value (PV) factor) and accordingly requested AERA to consider allowing compensation in the form of increase in User Development Fee (UDF), as mentioned at **Annex - A (AAI Proposal)**; and
3. In response to AAI Proposal, AERA has proposed to increase the 'Landing Charges' at the AAI Airports instead of increase in UDF, for the period from 1st July, 2020 to 31st March, 2021 or till determination of aeronautical charges for the 3rd control period, whichever is earlier. The increased landing charges proposed by AERA are as mentioned in **Annex - A**.

At the outset, FIA wishes to state that AERA and/or MoCA should not implement an increase of airport charges/tariff, of any nature whatsoever, due to the adverse financial impact on the airlines experienced in the wake of Coronavirus (COVID – 19) outbreak. As you are aware, based on government guidelines on calibrated opening of scheduled domestic flights w.e.f. 25th May, 2020, FIA member airlines have commenced their scheduled domestic flight operations. Such flight operations are subject to restrictions on capacity and fare, and adherence to safety protocols, as imposed by MoCA / Directorate General of Civil Aviation (**DGCA**). You will appreciate that until there is a complete opening of scheduled domestic and international flight operations, coupled with regaining confidence of passengers in air travel, airlines will continue to face weak financial positions. **In the given circumstances, it is imperative that MoCA and/or AERA do not take any steps which precipitates any further adverse financial impact on the airlines.**

However, without prejudice to the above, in the event it is proposed to compensate AAI airport by way of increase in airport charges, the following may be taken into consideration:

1. Recalibration of tariff to be done during tariff determination under 3rd Control Period

The MoCA letter states that AERA and MoCA, as the case may be, should take into account the amount of FTC revenue stream and "duly compensate the Airport Operator / AAI by suitably recalibrating other tariffs during their **determination of airport tariffs.**"

FIA submits that the above direction by MoCA and more particularly the words 'determination of airport tariffs', clearly indicates the intent and direction of MoCA is to adjust or amend tariff and to take into account the loss of FTC revenue for each airport, during the process of regular tariff determination at the beginning of the respective 'Control Period' of the AAI airports. In the absence of any specific or contrary instructions and given the fact that AAI airports concerned in the present Consultation Paper are in the last year of their respective 'Control Period' (2nd), therefore any recalibration or adjustment due for the tariff determination should take place, only during the next Control Period (3rd) in regular course of tariff determination.



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It may be pertinent to note that any recalibration or adjustment of tariff in the next Control Period, will assist the stakeholders to take the benefit of:

- (a) True ups, including on account of:
 - (i) Actual traffic – aircrafts and passenger movement in the FY 2020-21;
 - (ii) Additional revenue streams of ‘Parking and Housing charges’ received by AAI during the period of operational restrictions on scheduled domestic and international air transport – March 25, 2020 to May 25, 2020 (for domestic), when compared with such charges accruing in the ordinary course.

II. Revision of User Development Fee (UDF) as per AAI Proposal

As mentioned above, in response to AAI’s proposal seeking compensation in the form of revision of UDF, AERA has proposed to increase ‘Landing Charges’ as stated in **Annexure A**.

Without prejudice to para (I) above, FIA submits that AERA may reconsider UDF as a tariff head to be recalibrated, to provide compensation to AAI Airports, due to the following reasons:

- (a) The airport operator (AAI) itself has in its wisdom, across all AAI major airports, determined the appropriate tariff head i.e. UDF, required to be increased for claiming compensation in lieu of FTC; and
- (b) While the intent of AERA is not to burden the passengers with the increase of UDF, AERA has proposed an increase of UDF while considering the compensation proposals of airports at Vishakhapatnam, Goa and Pune.

In view of the above, FIA reiterates that any compensation in lieu of abolishment of FTC should be made entirely through pass through charges i.e. UDF. However, if the same is not acceptable to AERA, AERA may consider allowing a balanced increase of tariff (for concerned AAI Airports), being spread equally over pass through charges (UDF) along with charges directly billed to airlines like Landing, Parking or Housing Charges, during the 3rd Control Period.

III. Stakeholder Consultation

FIA submits that AERA has not conducted any stakeholder meeting in relation to the Consultation Paper. It is pertinent to note that in terms of Section 13(4) of Airports Economic Regulatory Authority of India Act, 2008 (**AERA Act**) AERA is bound to hold due consultations with the stakeholders, while discharging its functions under the AERA Act. The request for convening such a meeting has already been made by FIA in its letter dated 29 January, 2020.



Federation of Indian Airlines

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Needless to state, such stakeholder consultation meetings will provide an opportunity to the stakeholders to deliberate and submit their views/perspective, in a holistic manner.

FIA will be grateful for the timely intervention and assistance by AERA and MoCA, in the present matter.

The above submissions are without prejudice to the rights of FIA to provide its detailed comments, pursuant to stakeholder's consultation meeting and revision to Consultation Papers, if any.

FIA looks forward to receiving a positive response and your continued support.

Thanking you,

Yours Sincerely,

For and on behalf of the **Federation of Indian Airlines,**

Ujjwal Dey
Associate Director



Federation of Indian Airlines
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 Kalkaji,
 New Delhi - 110019.
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Annex - A

List of AAI Airports with corresponding increase in UDF (AAI Proposal) vs. Increase in Landing Charges proposed by AERA

Particulars	Chennai Airport	Kolkata Airport	Lucknow Airport	Calicut Airport	Trivandrum Airport	Guwahati Airport	Jaipur Airport	Ahmedabad Airport
Increase in UDF per Pax proposed by AAI	Rs. 8/- approx.	Rs. 36/- approx.	Rs. 10/- approx.	Rs. 10/- approx.	Rs. 8/- approx.	Rs. 4/- approx.	Rs. 3/- approx.	Rs. 2/- approx.
Increase in Landing Charges as proposed by AERA	42% Increase in Landing Charges	20% Increase in Landing Charges	9% Increase in Landing Charges	7% Increase in Landing Charges	6% Increase in Landing Charges	6% Increase in Landing Charges	4% Increase in Landing Charges	3% Increase in Landing Charges

Email**gita.sahu@aera.gov.in****RE: Comments on AERA CP 05/06/07/15 of 2020 - Compensating loss of FTC revenue to airport operators****From :** rkbali@baoa.in

Wed, Jun 17, 2020 02:34 PM

Subject : RE: Comments on AERA CP 05/06/07/15 of 2020 -
Compensating loss of FTC revenue to airport operators 1 attachment**To :** GEETHA SAHU <gita.sahu@aera.gov.in>**Cc :** Chairperson Aera <chairperson@aera.gov.in>,
info@baoa.in

Madam,

Please refer CPs issued to propose for compensating loss of revenue to public airports due to discontinuation of FTC from 8th January 2020, as a consequence of MOCA's orders. Our comments are as follows:

- The decision of 'authority' not to alter the existing UDF, as proposed by AAI, by miniscule amounts of 3 to 10 rupees is not understood. Most airlines, as such, have very thin margins of profit and find it difficult to sustain 'operational profitability' even with marginal increase in ATF charges, which happens every now and then. There is always stiff competition between the few airlines operating in India to maximise seat occupancy and, any savings in 'operational costs', as perceived by AERA, would get quickly eroded by selling tickets at discounted price to achieve higher seat occupancy in each flight. Therefore, 'authority's perception that, FTC's abolition would reduce operational costs for airlines, is not well founded. In fact, the whole plea of the airlines here was to 'rationalise the costs of operations' by abolishing unfair charges to let operations become sustainable on long-term basis. In that context, FTC was an unfair charge and, eroding thin profit margins of already struggling airlines, both scheduled and non-scheduled.
- It would be advisable to compensate airport operators, both in PPP model and under AAI, by spreading the amount over the large population of air passengers, whose number would continue to swell in future and, with higher seat occupancy in each flight, the airport operators would get more than adequately compensated for the loss of FTC revenue. As such, the air ticket price in India is one of the cheapest in the world and asking passengers to pay Rs 3 to 10 extra per flight is no big deal, at all. Even MOCA had, earlier, considered charging each passenger extra of around Rs 100/- to finance its ambitious UDAN scheme under RCS.
- 'Authority' is requested to take a long-term view of this revenue compensation, keeping in mind the unprecedented growth of air passenger traffic in India (over 10% every month) continuously for 50 months, till last year. Increasing UDF marginally by Rs 3-10, as suggested by AAI, would help create 'win-win' situation for 'airport operators' as well as 'airlines'. As far as air passengers are concerned,

this is the amount even rail/bus passenger don't mind paying extra for the sake of reliable/sustainable services.

We are readily available for any further discussions on the issue.

Best regards,

**Gp. Capt. Rajesh K. Bali (retd.)
Managing Director**

Business Aircraft Operators Association (BAOA)

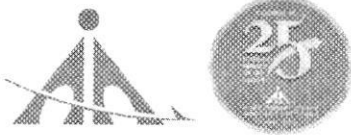
415A, G5 Building, IGI Airport

New Delhi – 110037

Email ID: rkbali@baoa.in

Contact No: +91 9911269066





FNO- No. AAI/CHQ/AERA/Throughput/2020

Dated:10/06/2020

The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport
New Delhi-110003

Sub:- AAI Comments on Consultation Paper No: -07 to 14/2020-21 in the matter of Provision of Compensation In lieu of Fuel Through Put Charges at AAI Ahmedabad/Calicut/Chennai/Guwahati/Jaipur/Kolkata/Lucknow/ Trivandrum Airports .

Sir/Madam,

Reference is invited to CP no. No: -07 to 14/2020-21 in the matter of Provision of Compensation In lieu of Fuel Through Put Charges at AAI Ahmedabad/Calicut / Chennai/Guwahati/Jaipur/Kolkata/Lucknow/ Trivandrum Airports wherein comments of stakeholders have been sought. The last date of submission of written comments is 17th June, 2020.

In order to work out ratio of FTC shortfall to Landing Charges AERA has considered Landing revenue for 12 months instead of 09 months (proportionate to recovery period) and accordingly increase in % of landing charges has been proposed.

AERA is requested to consider landing revenue for 9 months for calculating ratio of FTC Shortfall to Landing charges (%) as the compensation in lieu of throughput will be allowed from 1st July 2020. The station wise calculation is as under: -

The observations /replies are as under.

Sr. No.	Consultation Paper	AAI Replies
1	Consultation Paper No:- 07/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Ahmedabad Airport (control Period- 01-04-2016 to 31-03-2021)	The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which comes to Rs.62.70 crs (83.60*9/12)

	<p>Refer Table No 5 Page 6 of CP NO 07/2020-21, Increase in Landing Charges proposed by AERA:-</p> <table border="1" data-bbox="327 309 790 689"> <thead> <tr> <th></th> <th>FY20-21</th> </tr> </thead> <tbody> <tr> <td>Projected Revenue from Landing Charges (In Cr.)</td> <td>83.60</td> </tr> <tr> <td>Total Shortfall in FTC (In Cr.)</td> <td>2.62</td> </tr> <tr> <td>Ratio 2.52/83.6</td> <td>3%</td> </tr> </tbody> </table>		FY20-21	Projected Revenue from Landing Charges (In Cr.)	83.60	Total Shortfall in FTC (In Cr.)	2.62	Ratio 2.52/83.6	3%	<p>Accordingly the Increase in proposed Landing Charges would be 4% as per details as under :</p> <table border="1" data-bbox="821 309 1284 689"> <thead> <tr> <th></th> <th>FY20-21</th> </tr> </thead> <tbody> <tr> <td>Projected Revenue from Landing Charges (In Cr.)</td> <td>62.70</td> </tr> <tr> <td>Total Shortfall in FTC (In Cr.)</td> <td>2.62</td> </tr> <tr> <td>Ratio(%) 2.62/62.7</td> <td>4%</td> </tr> </tbody> </table>		FY20-21	Projected Revenue from Landing Charges (In Cr.)	62.70	Total Shortfall in FTC (In Cr.)	2.62	Ratio(%) 2.62/62.7	4%
	FY20-21																	
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<p>2</p>	<p>Consultation Paper No:- 08/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Calicut Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 08/2020-21, Increase in Landing Charges proposed by AERA:-</p> <table border="1" data-bbox="327 1104 790 1451"> <thead> <tr> <th></th> <th>FY20-21</th> </tr> </thead> <tbody> <tr> <td>Projected Revenue from Landing Charges (In Cr.)</td> <td>43.20</td> </tr> <tr> <td>Total Shortfall in FTC (In Cr.)</td> <td>3.08</td> </tr> <tr> <td>Ratio</td> <td>7%</td> </tr> </tbody> </table>		FY20-21	Projected Revenue from Landing Charges (In Cr.)	43.20	Total Shortfall in FTC (In Cr.)	3.08	Ratio	7%	<p>The Landing revenue for FY 2020-21 may be taken proportionate to recovery period as 9 months instead of 12 months which comes to Rs.32.40 crs (43.20*9/12)</p> <p>Accordingly Increase in proposed Landing Charges would be 10% as per details as under :-</p> <table border="1" data-bbox="821 1104 1332 1451"> <thead> <tr> <th></th> <th>FY20-21</th> </tr> </thead> <tbody> <tr> <td>Projected Revenue from Landing Charges (In Cr.)</td> <td>32.40</td> </tr> <tr> <td>Total Shortfall in FTC (In Cr.)</td> <td>3.08</td> </tr> <tr> <td>Ratio 3.08/32.40</td> <td>10%</td> </tr> </tbody> </table>		FY20-21	Projected Revenue from Landing Charges (In Cr.)	32.40	Total Shortfall in FTC (In Cr.)	3.08	Ratio 3.08/32.40	10%
	FY20-21																	
Projected Revenue from Landing Charges (In Cr.)	43.20																	
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Total Shortfall in FTC (In Cr.)	3.08																	
Ratio 3.08/32.40	10%																	
<p>3.</p>	<p>Consultation Paper No:- 09/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Chennai Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 09/2020-21, Increase in Landing Charges proposed by AERA:-</p>	<p>The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which works out to Rs.30.08 crs (40.10*9/12). Accordingly Increase in proposed Landing Charges would be 57% as per details as under :-</p>																

		FY20-21			FY20-21
	Projected Revenue from Landing Charges (In Cr.)	40.10		Projected Revenue from Landing Charges (In Cr.)	30.08
	Total Shortfall in FTC (In Cr.)	17.00		Total Shortfall in FTC (In Cr.)	17.00
	Ratio	42%		Ratio 17/30.08	57%
4.	<p>Consultation Paper No:- 10/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Guwahati Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 10/2020-21, Increase in Landing Charges proposed by AERA:-</p>			<p>The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which comes to Rs 30.15 crs(40.20*9/12). Accordingly increase in proposed Landing Charges would be 7% as per details as under :-</p>	
		FY20-21			FY20-21
	Projected Revenue from Landing Charges (In Cr.)	40.20		Projected Revenue from Landing Charges (In Cr.)	30.15
	Total Shortfall in FTC (In Cr.)	2.22		Total Shortfall in FTC (In Cr.)	2.22
	Ratio	6%		Ratio 2.22/30.15	7%
5.	<p>Consultation Paper No:- 11/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Jaipur Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 11/2020-21, Increase in Landing Charges proposed by AERA:-</p>			<p>The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which works out to Rs.32.48crs (43.30*9/12). Accordingly the increase in proposed Landing Charges would be 5% as per details as under :-</p>	

		FY20-21		FY20-21
	Projected Revenue from Landing Charges (In Cr.)	43.30	Projected Revenue from Landing Charges (In Cr.)	32.48
	Total Shortfall in FTC (In Cr.)	1.74	Total Shortfall in FTC (In Cr.)	1.74
	Ratio	4%	Ratio 1.74/32.48	5%
6.	<p>Consultation Paper No:- 12/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Kolkata Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 12/2020-21, Increase in Landing Charges proposed by AERA: -</p>		<p>The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which comes to Rs.262.43 crs (349.90*9/12)</p> <p>and Increase in proposed Landing Charges would be 27% as per details as under: -</p>	
		FY20-21		FY20-21
	Projected Revenue from Landing Charges (In Cr.)	349.90	Projected Revenue from Landing Charges (In Cr.)	262.43
	Total Shortfall in FTC (In Cr.)	70.30	Total Shortfall in FTC (In Cr.)	70.30
	Ratio	20%	Ratio 70.30/262.43	27%
7.	<p>Consultation Paper No:- 13/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Lucknow Airport (control Period- 01-04-2016 to 31-03-2021)</p> <p>Refer Table No 5 Page 6 of CP NO 13/2020-21, Increase in Landing Charges proposed by AERA: -</p>		<p>The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which works out to Rs.49.73 cr(66.30*9/12) and</p> <p>Increase in proposed Landing Charges would be 12% as per detail as under: -</p>	

	FY20-21		FY20-21
Projected Revenue from Landing Charges (In Cr.)	66.30	Projected Revenue from Landing Charges (In Cr.)	49.73
Total Shortfall in FTC (In Cr.)	6.00	Total Shortfall in FTC (In Cr.)	6.00
Ratio	9%	Ratio 6/49.73	12%
8. Consultation Paper No:- 14/2020-21 in the matter of Provision of Compensation in lieu of Fuel Through Put Charges at AAI Trivandrum Airport (control Period- 01-04-2016 to 31-03-2021)		The Landing revenue for FY 2020-21 may be taken proportionately to recovery period as 9 months instead of 12 months which works out to Rs.42.88 crs(57.17*9/12) and increase in proposed Landing Charges would be 9% as per detail as under:-	
Refer Table No 5 Page 6 of CP NO 14/2020-21, Increase in Landing Charges proposed by AERA:-			
	FY20-21		FY20-21
Projected Revenue from Landing Charges (In Cr.)	57.17	Projected Revenue from Landing Charges (In Cr.)	42.88
Total Shortfall in FTC (In Cr.)	3.70	Total Shortfall in FTC (In Cr.)	3.70
Ratio	6%	Ratio 3.7/42.88	9%

AERA is requested to consider the above Increase in Landing Charges in lieu of compensation of Fuel Throughput Charges and accordingly issue order.

This issues with the approval of Competent Authority.

Yours faithfully,

(V.Vidya)

General Manager (JVC/Tariff)