

MIAL/VPR/2021-22/01

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

Sir,

Sub: Feedback/ Suggestions on determination of Aeronautical Tariff for M/s Indian Oil Skytanking Private Ltd. (IOSL) and Bharat Star Skytanking Private Ltd. (BSSPL) for 3rd Control Period

**Ref : 1. Consultation Paper No. 01 / 2021-22 dated 8th April, 2021
2. Consultation Paper No. 02 / 2021-22 dated 8th April, 2021**

With reference of above we give below our feedback / suggestions for determination of aeronautical tariff for the 3rd control period:

1. Proposal to adopt "Price Cap Approach" on 'Single Till' basis

The Authority while determining the aeronautical tariff in respect of the two ITP service providers had adopted the Light Touch Approach in the previous Control Periods, while disregarding its earlier stand it has now proposed to adopt Price Cap approach that too on Single Till basis.

- a. The two ITP operators had been selected through an Open Tender process and accordingly their charges were established through competitive bidding. The Authority had earlier considered both of them as competitive but have now considered them to have no competition in real terms. We wish to state that all the airlines are free to avail Into Plane (ITP) services from any of the two service providers as per their choice. In earlier control period they were considered competitive and were assessed under Light Touch approach and it is unwarranted to now presume that there is no competition in real terms.
- b. There is no justification for applying Single Till methodology for determination of aeronautical tariff in respect of IOSPL and BSSPL, even National Civil Aviation Policy 2016 (NCAP 2016) in Para 12(c) states *"tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30%*



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of non-aeronautical revenue will be used to cross-subsidise.” Supply of ATF is also covered under NCAP, 2016. In view of above there is no justification to apply the Single Till methodology to ITP service providers’ tariff determination.

- c. The Authority, even though there is no change in status of operations in the earlier control period, has against its own stand now proposed to adopt Price Cap Methodology with Single Till. The Authority should have been consistent in its approach, particularly when there is no factual change in operations of the ITP Service Providers.
2. The Authority has proposed that Interest Income earned shall be treated as aeronautical revenue. It should be noted that interest is earned on deposit which are not part of regular business of ITP services and should not be considered as revenue for determination of the aeronautical charges. Such proposal disincentives the Operator to keep the profits invested in the business and shall result in transfer of funds through payment of dividend or otherwise.
3. The proposal of AERA to reduce the RAB by 1% of the cost of capex proposed / allowed by AERA, is unwarranted, particularly in view of impact of Covid-19 and the ensuing second wave where uncertainty has engulfed the entire business operations throughout India and airports are no exception. The Authority should also consider the possibility of expected 3rd and 4th wave of the Covid-19, which surely cannot be ruled out which would have impact on completion of the proposed capex. In view of above said there is no justification for proposing the 1% reduction from RAB in respect of the cost of capex projected in the true-up regime.
4. Considering the second wave of COVID 19 pandemic the operations at CSMI Airport are extremely precarious with huge uncertainty prevailing over scheduled international operations commencing in the near future and in particular the long haul flights to USA & Europe which have either been discontinued or scaled down to a minimum. Furthermore, we are uncertain about the next wave of the pandemic and its impact. The domestic scheduled operations have also gone down due to reduced passenger movement. MIAL had to again close down operations at Terminal 1 after a month long operations because of fall in passenger movement and consequential fall in ATMs. Though Government has allowed 80% of domestic scheduled routes, the actual coverage could be less than that because of decreasing passenger traffic. In view of above, the ATM (in thousand) forecast for MIAL and consequently the oil



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throughput in KL considered by the Authority for the ITP service providers needs to be scaled down.

We request the Authority to kindly consider the above points while finalising the charges for the two ITP service providers.

Thanking you,

Yours Sincerely

For Mumbai International Airport Ltd.



(Sanjiv Bhargava)

Vice President (Regulatory)



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