BUSINESS AIRCRAFT OPERATORS ASSOCIATION

Ref. No. BAOA/AERA/03/2020-21
August 17, 2020

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

Subject: - Comments on AERA CP - 31 & 32 of 2020 - Compensating loss of FTC revenue to airport operators

Sir/Madam,

Please refer CPs 31 & 31/2020-21, issued to propose for compensating loss of revenue to public airports due to discontinuation of FTC at Nagpur and Chandigarh airports. Our comments are as follows:

- The decision of 'authority' not to alter the existing UDF, by miniscule amounts, to compensate for loss of revenue due to FTC at Nagpur (CP 31/2020-21), is not well 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. It is not fair to presume that 'airlines would get financial benefit with abolishing of FTC and, therefore, should be charged in alternate way to make good the loss of revenue to the airport'. 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. By the philosophy of continuing to alternately charge airlines for the, hitherto, unfair FTC, is going to adversely affect the long-term sustainability of airlines and indirectly impinge on flight safety too. FTC was an unfair charge and, alternately charging already struggling airlines, both scheduled and non-scheduled, would have negative effects on aviation industry. Inducing an element of possible compromise to safety, through increase in 'landing charges' for extremely 'cost-sensitive' airlines, would be a retrogressive step and, must be avoided.

- As has been proposed for CHIAL in CP 32/2020-21, it would be advisable to compensate airport operators, both in PPP model and under AAI, by spreading the FTC amount over the much larger population base of air passengers, whose number would continue to swell in future and, with further increase in seat occupancy, 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. 10-20 extra per flight is no big deal, at all. In case of CHIAL it has worked out as Rs. 13/- per passenger. Even MOCA had, earlier, considered charging each passenger extra of around Rs 100/- on trunk routes to finance its ambitious UDAN scheme under RCS. Further, UDAN scheme considers 'no landing/parking charges' at all public airports. This is because 'any additional financial burden' on airlines, already struggling on very thin profit margins, is not in the best interest of aviation industry of our nation. We support proposed increase of UDF for CHIAL.

- 'Authority' is requested to take a long-term view of this revenue compensation at Nagpur, 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 at Nagpur too, 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 safe/reliable/sustainable services.

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

Thanking You

Yours faithfully

For **Business Aircraft Operators Association**

Business Aircraft Operators Association
New Delhi

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Managing Director

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