



Federation of Indian Airlines

E-166, Upper Ground Floor,

Kalkaji,

New Delhi - 110019.

Website: www.fiaindia.in

27 March 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)

&

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: AERA Consultation Paper No. 24/2019 – 20 dated 20th March, 2020 for Mumbai Airport; provision of compensation in lieu of discontinuation of 'Fuel Throughput Charges'

Dear Sirs,

We, the Federation of Indian Airlines (**FIA**), write in reference to the Consultation Paper No. 24/2019 – 20 dated 20th March, 2020 in the matter of provision of compensation in lieu of Fuel Throughput Charges (**FTC**) at Chhatrapati Shivaji Maharaj International Airport, Mumbai (**Mumbai Airport**) (referred to as '**Consultation Paper**'), issued by the Airports Economic Regulatory Authority of India (**AERA**).

In terms of the Consultation Paper, pursuant to the discontinuation of FTC by Ministry of Civil Aviation (**MoCA**) *vide* letter dated 8th January, 2020, and request made by Mumbai International Airport Limited (**MIAL**) *vide* various letters referred to in the Consultation Paper, AERA has, *inter alia*, proposed an "adhoc charge per Landing" (**Ad Hoc Landing Charge**), in addition to landing charges currently prevailing at Mumbai Airport. AERA has proposed to levy the additional Ad Hoc Landing Charge for the period from 1st April, 2020 to 30th September, 2020 or till determination of aeronautical charges for the 3rd control period, whichever is earlier, to recover the shortfall of Rs. 106.60 crores, at Mumbai Airport. The additional Ad Hoc Landing Charges (as mentioned in the Consultation Paper) are proposed to be applicable from 1st April, 2020.

At the outset, FIA wishes to submit that AERA and MoCA should not permit the implementation of increase in airport charges/tariffs and/or levy of ad hoc charges, of any nature whatsoever, due to the adverse financial impact on the airlines experienced in the wake of Coronavirus (COVID – 19) outbreak (refer below).



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It may be pertinent to note that the airline industry has already sought various forms of financial assistance (as may be reviewed from time to time), from the Government of India, to address the impact on airline costs and consequential losses.

As you are aware, the outbreak of COVID – 19, experienced initially in the South East Asian region, has now spread rapidly across the globe. In response, various countries have issued travel restrictions/ bans suspending international travel from India, and further, w.e.f March 22, 2020, the Government of India has suspended all international travel to India.

Further, after the initial suspension on domestic flight operations (except permitted categories, for eg. cargo *etc.*) until March 31, 2020, the Government of India has suspended air transport services (except permitted categories) until 14 April, 2020. Such travel advisories/restrictions have adversely impacted the airline industry which has experienced a significant decrease in the forward/ advance bookings, increase in cancellations and related refunds.

Needless to state, the restrictions/ban on airline operations, internationally as well as domestically, is leading to major losses to the airline industry.

You are already aware that the Indian aviation sector, being extremely price sensitive market is plagued with high cost structure - Aviation Turbine Fuel (**ATF**), airport charges and taxes.

Further, the weakening of the Indian Rupee has caused significant escalation of such costs. All such factors have cumulatively resulted in an adverse impact on the financial position of the airline industry. It is well known that in the recent past, most airlines in India either suffered losses, broke even or in some cases experienced a complete shutdown.

In the given circumstances, it is imperative that MoCA and AERA do not take any steps which precipitates any further adverse financial impact on the airline industry.

However, without prejudice to the above, in an event MoCA and AERA are desirous to implement any increase in airport charges/tariff in terms of the Consultation Paper, FIA humbly submits that:

- (a) Firstly, the Consultation Paper may kindly be placed in abeyance till the aviation industry experiences normalcy (including removal of any global and domestic travel advisories and/or restrictions); and
- (b) Thereafter, as and when the consultation exercise on the Consultation Paper is resumed, the following needs to be ensured:

(i) Analysis on identification of tariff component for effecting amendments

FIA submits that in terms of the Consultation Paper, MIAL has proposed an additional Ad Hoc Landing Charge to give effect to the compensation in lieu of discontinuation of FTC. However, the Consultation Paper fails to provide any cogent reasons for MIAL to particularly levy Ad Hoc Landing Charges instead of any other airport charge(s) for e.g. Parking or Housing Charges etc. applicable at Mumbai Airport. The proposal to implement an additional Ad Hoc Landing Charge is not accompanied with any cost benefit or a comparative analysis to indicate any consideration given by MIAL to other tariff components for effecting any tariff increase. Further, AERA has merely accepted MIAL's proposal to charge additional Ad Hoc Landing Charges and has failed to scrutinize or comment on an alternative adjustment/revision in any other airport tariff component.

Accordingly, the Consultation Paper ought to provide/discuss the following:

- (a) Whether MIAL has considered other **aeronautical tariff components**, instead of Ad Hoc Landing Charges, for the purposes of seeking compensation? If yes, it is requested to provide reasons for not proposing the same for tariff revision, along with any cost benefit/comparative analysis on such aeronautical tariff components; or alternatively
- (b) Whether MIAL has considered compensation by way of revision of **non-aeronautical** sources, accruing at Mumbai Airport?; and
- (c) AERA's scrutiny on revision of other tariff components (i.e., except Landing Charges) including the alternate possibility of compensation through non – aeronautical sources.

Without prejudice to the above, FIA submits that revision of tariff, if any, should be made only in the pass-through elements of the airport charges/tariff for e.g. User Development Fee (**UDF**), Passenger Service Fee - Facilitation (**PSF**) etc. which will avoid any adverse impact on the airline industry.

(ii) Conducting a Stakeholder's Consultation Meeting

FIA submits that AERA invited written submissions from stakeholders on the Consultation Paper without there being any notice to convene a stakeholder's consultation meeting prior to such submission.

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 (enclosed).



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Further, with regard to Para 7.4 of the Consultation Paper, FIA submits that there has been no stakeholder consultation (including Working Group discussion) on the issue of tariff adjustment/recalibration pursuant to the abolishment of FTC by MoCA.

FIA submits that it is essential that a suitable stakeholder's consultation meeting is convened by AERA, preferably for identifying a common tariff component/head, which may be amended for airports seeking any tariff adjustment pursuant to abolishment/discontinuation of FTC. Needless to state, such meeting will provide an opportunity to the stakeholders to deliberate and submit their views/perspective in the present matter, including on identification of tariff component as mentioned in para (b) (i) above.

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 Paper, as mentioned above.

Thanking you,

Yours sincerely,

For and on behalf of Federation of Indian Airlines


Ujjwal Dey
Associate Director