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Dear Madam,

Please find attached herewith the comments of Stakeholders on 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 for your responses against the comments latest by 22.06.2020.

Regards,

Geetha Sahu
AGM (F)
AERA

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.

This issues with the approval of Competent Authority.



(Rajesh Khanna)

DGM(F)

For ED(JVC)

JVC/Tariff Cell

AAI CHQ

From: GEETHA SAHU [mailto:gita.sahu@aera.gov.in]

Sent: 18 June 2020 13:14

To: V. Vidya <vidya@AAI.AERO>

Cc: Rajesh Khanna <rkhanna@AAI.AERO>; Ravi Kanojia <ravik@AAI.AERO>; Chairperson Aera <chairperson@aera.gov.in>; RAM KRISHAN <director-ps@aera.gov.in>

Subject: Stakeholders Comments on CP 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 - reg.

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.

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.

2. **Business Aircraft Operators Association (BAOA)**

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 maximize 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 'rationalize 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

AERA may like to take a view on the comments

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,

II. AERA may like to take a view on the comments

III. AERA may like to take a view on the comments

airport by way of increase in airport charges, the following may be taken into consideration:

I. 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

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

I. Regarding recalibration or adjustment of tariff in the next Control Period, the suggestion may not be agreed as AAI will not be able to recover the loss in the current control period.

Rajesh Khanna

From: Rajesh Khanna
Sent: 23 June 2020 15:16
To: 'RAM KRISHAN'
Cc: 'GEETHA SAHU'; ED JVC; V. Vidya
Subject: RE: Stakeholders Comments on CP 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 - reg.

Sir,

Please find here with the views of AAI on comments of FIA and BAOA on 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 .

SNO	Comments of stakeholder	Reply of AAI
1	<p>Federation of Indian airlines (FIA)</p> <p>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.</p> <p>However, without prejudice to the above, in the event it is proposed to compensate AAI</p>	<p>AAI has proposed increase in UDF for compensation in lieu of expected revenue loss due to discontinuation of FTC but AERA proposed to increase in Landing charges.</p>