



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

26 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 Bhubaneswar, Coimbatore, Indore and Patna Airports (Consultation Papers No. 16, 17, 18 and 19 of 2020-21 dated 15th June, 2020)

Dear Sirs,

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;
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



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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, 2023 or till determination of aeronautical charges for the 2nd 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 airports 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 2nd 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 Papers are in the third year of their respective 'Control Period' (1st), therefore any recalibration or adjustment due for the tariff determination should take place, only during the next Control Period (2nd) 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 FY 2020-21, FY 2021-22 and FY 2022-23;
 - (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.



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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 Visakhapatnam, 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.

III. Stakeholder Consultation

FIA submits that AERA has not conducted any stakeholder meeting in relation to the Consultation Papers. 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. 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



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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	Coimbatore Airport	Bhubaneswar Airport	Indore Airport	Patna Airport
Increase in UDF per Pax proposed by AAI	Rs. 8/- approx.	Rs. 9/- approx.	Rs. 3/- approx.	Rs. 2/- approx.
Increase in Landing Charges as proposed by AERA	12% Increase in Landing Charges (in each of the tariff years FY 2020-21, FY 2021-22 & FY 2022-23)	11% Increase in Landing Charges (in each of the tariff years FY 2020-21, FY 2021-22 & FY 2022-23)	5% Increase in Landing Charges (in each of the tariff years FY 2020-21, FY 2021-22 & FY 2022-23)	3% Increase in Landing Charges (in each of the tariff years FY 2020-21, FY 2021-22 & FY 2022-23)